ANNUAL REPORT 2017

THE CO-OPERATIVE CENTRAL BANK

THE CO-OPERATIVE CENTRAL BANK

EIGHTY SIXTH ANNUAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

OPERATED AND WHOLLY OWNED BY ALL
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

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THE CO-OPERATIVE CENTRAL BANK

OFFICERS AND BOARD OF DIRECTORS

OFFICERS

Robert W. Terravecchia, Jr.……………………………………………………………………...Chairman
John M. O'Donnell…………………………………………………………………………...Vice Chairman
Andrew J. Calamare……………………………………………President and Chief Executive Officer
Judith M. Javidpour…………………………………………………...Senior Vice President & Treasurer
Annemarie Lee……………………………………………………………………………..Vice President

BOARD OF DIRECTORS		TERM EXPIRES
Joseph T. Baptista, Jr., President & CEO	Mechanics Cooperative Bank	2018
Joseph A. De Vito, President & CEO	The Village Bank	2019
Edward F. Manzi, Chairman & CEO	Fidelity Bank	2018
Eileen McAnneny, President	Massachusetts Taxpayers Foundation	2017
John M. O'Donnell, President & CEO	Patriot Community Bank	2017
Andrew J. Raczka, President & CEO	Abington Bank	2017
Joseph V. Scholl, President & CEO	Walpole Co-operative Bank	2017
Robert W. Terravecchia, Jr., President & CEO	Equitable Bank	2017
Julieann M. Thurlow, President & CEO	Reading Cooperative Bank	2019
Raija Vaisanen, Director	Commonwealth Corporation	2019

The Co-operative Central Bank
75 Park Plaza • Boston, Massachusetts 02116 • (617) 695-0400

I am pleased to present the 2017 Annual Report of The Co-operative Central Bank.

Since its inception in 1932, The Co-operative Central Bank has capably provided deposit insurance through its Share Insurance Fund, liquidity through its Reserve Fund as well as capital, managerial, and technical assistance to state chartered co-operative banks across the Commonwealth of Massachusetts.

Again this year, prudent management throughout the industry has resulted in strong capital, solid earnings, and sound asset quality.

Our Member Banks

Our industry is made up of forty-six co-operative banks located throughout the state with total assets of almost $22 billion. As of June 30, 2017 our industry employed almost 3,500 employees. The dedication to their customers and the communities they serve is evident by year over year increases in total assets.

A stable capital position has consistently supported our membership in this low interest rate environment. As of the end of June 2017 our industry's average Tier 1 leverage ratio stands solidly at 10.92%. Likewise, the strong economy in Massachusetts has contributed to our improving asset quality position as reflective in the decreasing ratio of non-performing assets.

Share Insurance Fund and Reserve Fund

Member banks continue to market the benefits of insurance in full as excess deposits increased approximately $256 million or 8% in the twelve months ended June 2017. On June 30th, the Share Insurance Fund insured approximately $3.5 billion or 20% of the industry's total deposits.

While most banks tested their lines of credit in the Reserve Fund, no member borrowed for liquidity purposes this year.

While management and the Board of Directors do not see any risk posed to the fund at this time from any of our members, we remain steadfast in our commitment to the important work of the Bank in protecting depositors of co-operative banks across the Commonwealth of Massachusetts.

Sincerely,

Andrew J. Calamare

Andrew J. Calamare
President & Chief Executive Officer

THE CO-OPERATIVE CENTRAL BANK

SHARE INSURANCE FUND

EXCESS DEPOSIT INSURANCE COVERAGE RATIO August 31, 2017 and 2016	**2017**	2016
Share Insurance Fund Equity	**$ 97,519,694**	$ 97,682,254
Less: Capital Assistance	**1,963,750**	1,963,750
Less: Restricted or Unavailable Assets - Other Assets	**5,702,438**	5,702,438
Available for Insurance Purposes	**$ 89,853,506**	$ 90,016,066
Insured Excess Deposits	**$ 3,531,057,443**	$ 3,275,072,161
Insurance Coverage Ratio	**2.54%**	2.75%

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Co-operative Central Bank

Report on the Financial Statements

We have audited the accompanying financial statements of The Co-operative Central Bank (the "Bank"), which comprise the individual funds and combining statement of financial condition as of August 31, 2017, and the related individual funds and combining statements of income and retained earnings, comprehensive income, and cash flows for the year then ended and the related notes to the financial statements. We have also audited the accompanying combined financial statements of the Bank, which comprise the combined statement of financial condition as of August 31, 2016, and the related combined statements of income and retained earnings, comprehensive income, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combining financial statements based on our audit. 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the combining financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combining financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2017 combining financial statements referred to above present fairly, in all material respects, the individual funds and combining financial position of The Co-operative Central Bank as of August 31, 2017 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2016 combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Co-operative Central Bank as of August 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Boston, MA
October 31, 2017

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF FINANCIAL CONDITION

August 31, 2017 and 2016			**2017**	2016
	Reserve Fund	Share Insurance Fund	**Combined**	Combined
ASSETS				
Cash and cash equivalents	$ 500,375	$ 1,031,535	**$ 1,531,910**	$ 4,884,197
Investment securities:				
Securities available-for-sale	36,957,361	82,114,615	**119,071,976**	117,422,943
Certificates of deposit	5,395,000	6,383,000	**11,778,000**	10,306,000
Capital assistance	-	1,963,750	**1,963,750**	1,963,750
Assessment receivables	-	33,363	**33,363**	258,498
Accrued interest receivable	138,725	280,717	**419,442**	392,383
Office equipment, net	-	11,629	**11,629**	18,231
Other assets	74,546	5,709,105	**5,783,651**	5,782,165
Total Assets	$ 43,066,007	$ 97,527,714	**$ 140,593,721**	$ 141,028,167
LIABILITIES AND EQUITY				
Deposits by member banks	$ 31,771,807	$ -	**$ 31,771,807**	$ 31,771,807
Accrued expenses and other liabilities	178,748	8,020	**186,768**	200,410
Total Liabilities	31,950,555	8,020	**31,958,575**	31,972,217
Retained earnings	11,315,016	97,768,729	**109,083,745**	108,000,733
Accumulated other comprehensive income (loss)	(199,564)	(249,035)	**(448,599)**	1,055,217
Total Equity	11,115,452	97,519,694	**108,635,146**	109,055,950
Total Liabilities and Equity	$ 43,066,007	$ 97,527,714	**$ 140,593,721**	$ 141,028,167

See accompanying notes to combining financial statements.

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended August 31, 2017 and 2016			**2017**	2016
	Reserve Fund	Share Insurance Fund	**Combined**	Combined
Income:				
Interest income	$ 711,280	$ 1,710,614	**$ 2,421,894**	$ 2,242,863
Assessments	-	677,582	**677,582**	-
Total Income	711,280	2,388,196	**3,099,476**	2,242,863
Expenses:				
Salaries and related benefits	414,221	966,300	**1,380,521**	1,340,058
Occupancy	30,891	72,100	**102,991**	102,415
Legal	53,803	165,249	**219,052**	194,442
Director fees	28,117	65,500	**93,617**	92,875
Other operating expenses	64,457	161,452	**225,909**	225,784
Total Expenses	591,489	1,430,601	**2,022,090**	1,955,574
	119,791	957,595	**1,077,386**	287,289
Noninterest Income				
Gain on sales of securities	-	5,626	**5,626**	54,011
Other income	-	-	-	15,000
Total Noninterest Income	-	5,626	**5,626**	69,011
Net Income	119,791	963,221	**1,083,012**	356,300
Retained Earnings:				
Beginning of year	11,195,225	96,805,508	**108,000,733**	107,644,433
End of year	$ 11,315,016	$ 97,768,729	**$ 109,083,745**	$ 108,000,733

See accompanying notes to combining financial statements.

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, 2017 and 2016			2017	2016
	Reserve Fund	Share Insurance Fund	**Combined**	Combined
Net Income	$ 119,791	$ 963,221	**$ 1,083,012**	$ 356,300
Other Comprehensive Income:				
Unrealized holding gains (losses) on available-for-sale securities arising during the period	(378,035)	(1,120,155)	**(1,498,190)**	1,002,984
Reclassification adjustment for gains realized in net income	-	(5,626)	**(5,626)**	(54,011)
Other Comprehensive Income (Loss)	(378,035)	(1,125,781)	**(1,503,816)**	948,973
Comprehensive Income (Loss)	$ (258,244)	$ (162,560)	**$ (420,804)**	$ 1,305,273

See accompanying notes to combining financial statements.

THE CO-OPERATIVE CENTRAL BANK

COMBINING STATEMENTS OF CASH FLOWS

Years ended August 31, 2017 and 2016			**2017**	2016
	Reserve Fund	Share Insurance Fund	**Combined**	Combined
Cash flows from operating activities:				
Net Income	$ 119,791	$ 963,221	**$ 1,083,012**	$ 356,300
Adjustments to reconcile net income to net cash provided by operating activities:				
Net amortization of securities premiums / discounts	292,904	455,497	**748,401**	320,039
Gain on sales of securities	-	(5,626)	**(5,626)**	(54,011)
Depreciation expense	-	6,602	**6,602**	7,068
Cash surrender value of life insurance	-	-	-	(15,000)
Net change in:				
Assessment receivables	-	225,135	**225,135**	225,135
Accrued interest receivable	(15,251)	(11,808)	**(27,059)**	25,670
Other assets	(1,486)	-	**(1,486)**	1,105
Accrued expenses and other liabilities	(7,191)	(6,451)	**(13,642)**	10,395
Net cash provided by operating activities	388,767	1,626,570	**2,015,337**	876,701
Cash flows from investing activities:				
Proceeds from maturities and calls of available-for-sale securities	3,000,000	2,000,000	**5,000,000**	39,720,331
Proceeds from sales of available-for-sale securities	-	7,617,201	**7,617,201**	12,062,216
Purchases of available-for-sale securities	(6,937,727)	(19,194,760)	**(26,132,487)**	(50,498,119)
Principal payments received on mortgage-backed securities	1,555,025	8,064,637	**9,619,662**	9,077,077
Purchases of certificates of deposit	(735,000)	(737,000)	**(1,472,000)**	(10,306,000)
Principal collected on loans	3,300,000	-	**3,300,000**	2,600,000
Principal disbursed for loans	(3,300,000)	-	**(3,300,000)**	(2,600,000)
Net cash provided by (used in) investing activities	(3,117,702)	(2,249,922)	**(5,367,624)**	55,505
Net increase (decrease) in cash and cash equivalents	(2,728,935)	(623,352)	**(3,352,287)**	932,206
Cash and cash equivalents at beginning of year	3,229,310	1,654,887	**4,884,197**	3,951,991
Cash and cash equivalents at end of year	$ 500,375	$ 1,031,535	**$ 1,531,910**	$ 4,884,197

See accompanying notes to combining financial statements.

1 - Organization and Nature of the Business

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 (SIF) was established in 1934 for the insurance of all deposits in Massachusetts co-operative banks. In 1987, deposits in all Massachusetts co-operative banks became insured by the Federal Deposit Insurance Corporation (FDIC) up to current FDIC limits. Since that date the Share Insurance Fund insures deposits in member co-operative banks which are in excess of the current FDIC limit.

The two funds may not be commingled and the assets of one do not stand behind the liabilities of the other. The combining financial statements include the financial statements of these two separate and distinct funds.

In the event a member bank converts to a federal charter or is acquired by a non-member bank in a merger, its membership in the Bank is terminated, its deposit in the Reserve Fund is returned and the withdrawing member retains no further rights or interest in the Bank.

A member bank that is determined by the Board of Directors of the Bank to pose a greater than normal loss exposure risk to the SIF may, with the approval of the Commissioner of Banks of the Commonwealth of Massachusetts, be required to take action(s) to mitigate the risk. The member bank then has the option of complying with the requested mitigation or withdrawing from membership. If the member elects to withdraw, its excess deposit insurance coverage from the Share Insurance Fund is phased out and the withdrawing member receives back its Reserve Fund deposit.

2 - 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 combining financial statements are prepared on the accrual basis of accounting.

2 - Summary Of Significant Accounting Policies (Continued)

Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, 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. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the accrued loss contingency.

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.

Recognition of income

Generally, interest income on loans, capital assistance in the form of perpetual preferred stock, income on advances, subordinated debentures and capital certificates to member banks is recognized when earned. Interest income may be recognized when received in those instances where the ultimate collection of interest is uncertain.

Investment Securities

Available-for-sale securities are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Premiums and discounts are recognized in interest income using a method which approximates the interest method over the period to contractual maturity, adjusted for anticipated prepayments. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities.

Each reporting period, the Bank evaluates all securities with a decline in fair value below the amortized cost of the investment to determine whether or not the impairment is deemed to be other than temporary (“OTTI”). OTTI is required to be recognized if (1) the Bank intends to sell the security; (2) it is “more likely than not” that the Bank will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. For all impaired debt securities that the Bank intends to sell, or more likely than not will be required to sell, the full amount of the

2 - Summary Of Significant Accounting Policies (Continued)

Investment Securities (Continued)

depreciation is recognized as OTTI through earnings. Credit related OTTI for all other impaired debt securities is recognized through earnings while non-credit related OTTI is recognized in other comprehensive income /loss.

Office equipment

Office equipment is reported at cost, less accumulated depreciation. Depreciation is charged to operations over the estimated useful lives of the respective assets (ranging from three to five years) using the straight-line method. Those items which are not determined to be capital expenditures are immediately expensed.

Insurance assessments

The Bank recognizes income from insurance assessments at the time a member bank is assessed.

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. The estimated loss provision has been determined based upon reviews of financial statements and regulatory examination reports of member banks, consultations with bank regulators, and historical experience.

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. The Bank is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. The Bank believes it is no longer subject to income tax examinations prior to 2014.

2 - Summary Of Significant Accounting Policies (Continued)

Comparative financial information

The combining financial statements include certain prior-year comparative information in total but not by individual fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Bank's combining financial statements for the year ended August 31, 2016, from which the comparative information was derived.

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.

3 - Certificates of deposit

A summary of certificates of deposit by contractual maturity as of August 31, 2017 are shown below:

	Reserve Fund	Share Insurance Fund
Due in one year or less	$ 735,000	$ -
Due after one year through five years	4,660,000	6,138,000
Due after five years through ten years	-	245,000
	$ 5,395,000	$ 6,383,000

4 - Investment Securities

The amortized cost and approximate fair values of investment securities classified as available-for-sale are summarized as follows as of August 31, 2017 and 2016:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		2017		
Reserve Fund				
Federal agency obligations	$ 11,932,046	$ 27,041	$ (40,317)	$ 11,918,770
Mortgage-backed securities	25,224,879	38,855	(225,143)	25,038,591
	37,156,925	65,896	(265,460)	36,957,361
Share Insurance Fund				
Federal agency obligations	19,497,392	107,140	(22,152)	19,582,380
Mortgage-backed securities	62,866,258	279,291	(613,314)	62,532,235
	82,363,650	386,431	(635,466)	82,114,615
Combined	$ 119,520,575	$ 452,327	$ (900,926)	$ 119,071,976
		2016		
Reserve Fund				
Federal agency obligations	$ 10,055,834	$ 73,960	$ (4,594)	$ 10,125,200
Mortgage-backed securities	25,011,293	148,491	(39,386)	25,120,398
	35,067,127	222,451	(43,980)	35,245,598
Share Insurance Fund				
Federal agency obligations	19,793,069	332,856	-	20,125,925
Mortgage-backed securities	61,507,530	737,413	(193,523)	62,051,420
	81,300,599	1,070,269	(193,523)	82,177,345
Combined	$ 116,367,726	$ 1,292,720	$ (237,503)	$ 117,422,943

During the year ended August 31, 2017 proceeds from sales of available-for-sale securities amounted to $7,617,201. Gross realized gains on those sales amounted to $53,449 and gross realized losses amounted to $47,823.

During the year ended August 31, 2016 proceeds from sales of available-for-sale securities amounted to $12,062,216. Gross realized gains on those sales amounted to $57,203 and gross realized losses amounted to $3,192.

4 - Investment Securities (Continued)

Information pertaining to securities with gross unrealized losses at August 31, 2017 and 2016, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	Less Than Twelve Months		Twelve Months or Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	2017			
Reserve Fund				
Federal agency obligations	$ 26,218	$ 6,972,900	$ 14,099	$ 1,005,300
Mortgage-backed securities	92,212	12,476,051	132,931	5,647,382
	118,430	19,448,951	147,030	6,652,682
Share Insurance Fund				
Federal agency obligations	22,152	5,298,400	-	-
Mortgage-backed securities	257,128	19,558,822	356,186	16,305,995
	279,280	24,857,222	356,186	16,305,995
Combined	$ 397,710	$ 44,306,173	$ 503,216	$ 22,958,677
	2016			
Reserve Fund				
Federal agency obligations	$ 4,594	$ 1,020,300	$ -	$ -
Mortgage-backed securities	39,386	7,225,320	-	-
	43,980	8,245,620	-	-
Share Insurance Fund				
Mortgage-backed securities	28,327	4,347,589	165,196	19,919,317
Combined	$ 72,307	$ 12,593,209	$ 165,196	$ 19,919,317

Management periodically reviews the investment portfolio to evaluate securities for other than temporary impairment. As of August 31, 2017, there were fifty-seven debt securities with unrealized losses which have aggregate depreciation of approximately 1% of their amortized cost. The principal and accrued interest on all of the securities are guaranteed by the U.S. Government, an agency of the U.S. Government, or both. Accordingly, it is expected that the securities would not be settled at a price less than the par value of the investment. Because the decline in fair value is attributable to changes other than credit quality, and because the Bank does not intend to sell the securities nor is it likely the Bank will be required to sell the securities before recovery of their amortized cost bases, which may be maturity, the Bank does not consider these securities to be other than temporarily impaired as of August 31, 2017.

4 - Investment Securities (Continued)

The amortized cost and approximate fair values of available-for-sale securities by contractual maturity, at August 31, 2017, are shown below.

Mortgage backed securities are shown in total as their maturities are highly variable.

	Reserve Fund		Share Insurance Fund	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,003,226	$ 1,003,200	$ 4,012,334	$ 4,043,500
Due after one year through five years	10,928,820	10,915,570	13,479,959	13,515,880
Due after five years through ten years	-	-	2,005,099	2,023,000
	11,932,046	11,918,770	19,497,392	19,582,380
Mortgage-backed securities	25,224,879	25,038,591	62,866,258	62,532,235
	$ 37,156,925	$ 36,957,361	$ 82,363,650	$ 82,114,615

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.

5 - Capital Assistance And Subordinated Debt

Where advisable, the Bank may enter into agreements to provide financial or capital assistance agreements to member banks under Sections 3A, 3B or 4 of Chapter 73 of the Acts of 1934, as amended. The capital assistance may take the form of subordinated debentures, mutual capital certificates, capital certificates and/or 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 member bank exceed certain minimum regulatory requirements. All payments of principal and/or interest are subject to the prior consent or approval of the Federal Deposit Insurance Corporation and/or the Federal Reserve Bank of Boston and/or the Commissioner of Banks for the Commonwealth of Massachusetts.

As of August 31, 2017 and 2016, there was $1,963,750 of capital assistance outstanding in the form of 196,375 shares of perpetual preferred stock.

6 - Assessment Receivable

On September 3, 2013, the Bank entered into a new member agreement with Mutual Bank, as a result of its conversion from a mutual federal savings bank to a cooperative bank. The assessment is payable to the Bank in equal annual installments of $33,363 through September 3, 2017. As of August 31, 2017 and 2016, the caption assessment receivable in the accompanying combining statements of financial condition includes $33,363 and $66,726, respectively, related to Mutual Bank.

On June 21, 2013, the Bank entered into a new member agreement with HarborOne Bank, as a result of its conversion from a credit union to a cooperative bank. The assessment is payable to the Bank in equal annual installments of $191,772 through June 21, 2017. As of August 31, 2017 and 2016, the caption assessment receivable in the accompanying combining statements of financial condition includes $0 and $191,772, respectively, related to HarborOne Bank.

7 - Office Equipment

Office equipment consisted of the following at August 31, 2017 and 2016:

	Reserve Fund	Share Insurance Fund	Combined **2017**	Combined 2016
Office furniture and equipment	$ -	$ 35,338	**$ 35,338**	$ 35,338
Software	-	20,490	**20,490**	20,490
	-	55,828	**55,828**	55,828
Less accumulated depreciation	-	(44,199)	**(44,199)**	(37,597)
	$ -	$ 11,629	**$ 11,629**	$ 18,231

Depreciation expense for the years ended August 31, 2017 and 2016 amounted to $6,602 and $7,068, respectively.

8 - 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, 2017 and 2016.

9 - Pension, Retirement and Other Employee Benefit Plans

As a participating employer in the Co-operative Banks Employees Retirement Association (CBERA), the Bank has in effect a pension plan covering substantially all eligible officers and employees. Under the plan, the Bank contributes amounts so that upon retirement, the officer or employee will receive a percent of their annual compensation as defined by the plan. The required disclosures follow:

Name of Plan:	The Defined Benefit Plan (Plan C) of the CBERA Retirement Program	
Plan's Tax ID #:	04-6035593	
Plan Number:	334	
Plan Year End:	December 31, 2015	December 31, 2016
Actuarial Valuation	January 1, 2015	January 1, 2016
FTAP Percentage: (Funded Target Attainment Percentage)	124.6% (Green)	111.1% (Green)
Employer Plan Year Contributions:	$88,318 Did Not Exceed 5%	$140,624 Did Not Exceed 5%
Funding Improvement:	This employer was not subject to any specific minimum contributions other than amounts, determined by the Trustees of the Plan that maintain the funded status of the Plan in accordance with the requirements of the Pension Protection Act (PPA) and ERISA.	

In addition to the pension plan, the Bank also participates through CBERA in a 401(k) savings plan, under which eligible employees may contribute a portion of their salary subject to limitations. The Bank will match the employee's contributions up to a maximum 10%. The Bank's contributions to the plans were $217,927 and $182,289 for the years ended August 31, 2017 and 2016, respectively.

9 - Pension, Retirement and Other Employee Benefit Plans (Continued)

In order to provide key executives with supplemental retirement benefits, the Bank previously purchased insurance contracts on behalf of certain retired 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, 2017 and 2016, cash surrender value totaling \$5,702,438, in the Share Insurance Fund is included in other assets. Miscellaneous income of \$15,000 in 2016 has been recognized as the increase in cash surrender values of the policies.

The Bank also provides post-retirement 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, which amounted to approximately \$70,000 at August 31, 2017 and 2016.

10 - Commitments and Contingencies

The Bank may in the normal course of its business make binding commitments to enter into financial instruments for the purpose of meeting financial assistance or other statutory obligations of the Share Insurance Fund.

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 has entered into an employment agreement with its President and Chief Executive Officer that provides for specified annual compensation and the payment of certain severance benefits in the event of a change in control.

The Bank is obligated under a non-cancelable lease agreement amendment which expires in October 2019.

10 - Commitments and Contingencies (Continued)

Under the amendment, the following represents future fixed minimum annual rental payments for the years subsequent to August 31, 2017:

Year Ending August 31:	
2018	$96,061
2019	97,722
2020	16,333

The lease contains options to extend and also contain provisions for reimbursement of real estate taxes and operating expenses.

Rent expense charged to operations for the years ended August 31, 2017 and 2016 was $94,262 and $92,601, respectively.

11 - Fair Values of Assets and Liabilities

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities. 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.

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. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

11 - Fair Values of Assets and Liabilities (Continued)

Fair value hierarchy (Continued):

Level 2 – Valuation is based on inputs other than Level 1 prices 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.

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 and mortgage-backed securities 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 and mortgage-backed securities issued by government sponsored enterprises including Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank, and Government National Mortgage Association.

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.

11 - Fair Values of Assets and Liabilities (Continued)

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

Fair values of financial instruments measured on a recurring basis at August 31, 2017 and 2016 are as follows:

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Total
August 31, 2017				
Federal agency obligations	$ -	$ 31,501,150	$ -	$ 31,501,150
Mortgage-backed securities	-	87,570,826	-	87,570,826
Combined	$ -	$ 119,071,976	$ -	$ 119,071,976
August 31, 2016				
Federal agency obligations	$ -	$ 30,251,125	$ -	$ 30,251,125
Mortgage-backed securities	-	87,171,818	-	87,171,818
Combined	$ -	$ 117,422,943	$ -	$ 117,422,943

There were no transfers among the three levels during the years ended August 31, 2017 or 2016. There were no liabilities measured at fair value on a recurring basis at either August 31, 2017 or 2016.

Other financial instruments held by the Bank include cash and cash equivalents, certificates of deposit, capital assistance, assessments receivable, and deposits by member banks. The carrying amount for these financial instruments approximates fair value.

12 - Other Comprehensive Income (Loss)

Information on the Bank's accumulated other comprehensive income (loss) is comprised of the following components:

	Reserve Fund	Share Insurance Fund	**Combined**
Balances at August 31, 2015	$ (56,427)	$ 162,671	**$ 106,244**
Net change in unrealized holding gains on available-for-sale securities	234,898	714,075	**948,973**
Balances at August 31, 2016	178,471	876,746	**1,055,217**
Net change in unrealized holding gains (losses) on available-for-sale securities	(378,035)	(1,125,781)	**(1,503,816)**
Balances at August 31, 2017	$ (199,564)	$ (249,035)	**$ (448,599)**

13 - Concentration of Credit Risk

The Bank maintains cash deposits in two banks located in Massachusetts. Deposits at each bank are insured by the FDIC up to $250,000. At times, account balances may have exceeded the insured limit.

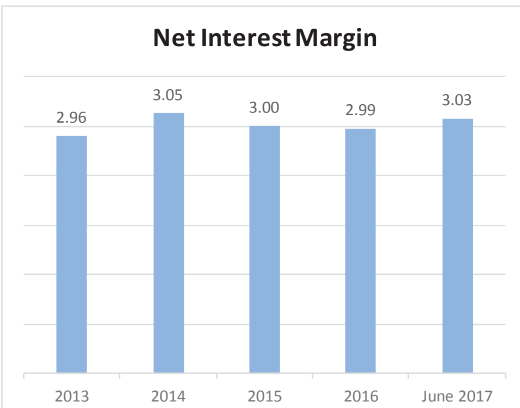
14 - Subsequent Events

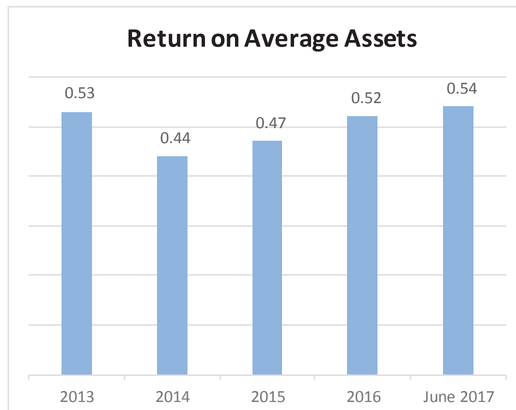
Management has evaluated subsequent events through October 31, 2017, which is the date the combined financial statements were available to be issued and concluded that there were no subsequent events requiring adjustment to or disclosure in these financial statements.

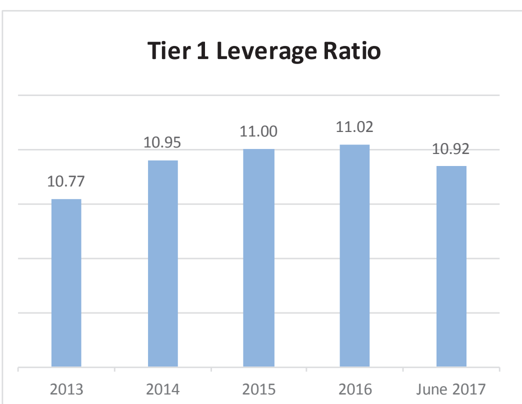
THE CO-OPERATIVE CENTRAL BANK

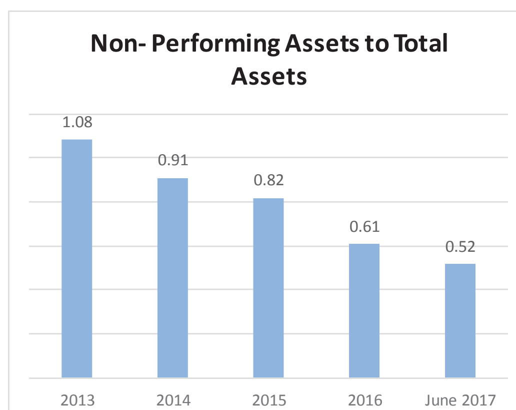
INDUSTRY HIGHLIGHTS
SUMMARY DATA (in thousands)

	Assets	Loans	Deposits	Capital
2013	$16,951,469	$12,759,691	$13,429,931	$1,887,953
2014	18,075,310	13,847,212	14,208,226	2,005,979
2015	19,597,283	15,306,872	15,644,165	2,133,218
2016	21,281,362	16,755,027	17,141,155	2,333,545
June 2017	21,952,286	17,344,035	17,720,542	2,403,844









THE CO-OPERATIVE CENTRAL BANK

MEMBER BANKS

Abington Bank
Avon Co-operative Bank
Bank of Easton
BankGloucester
Beverly Bank
Braintree Cooperative Bank
Canton Co-operative Bank
Charles River Bank
Colonial Co-operative Bank
Commonwealth Cooperative Bank
Coastal Heritage Bank
The Cooperative Bank
Dean Bank
Equitable Bank
Everett Co-operative Bank
Fidelity Bank
Greenfield Co-operative Bank
HarborOne Bank
Haverhill Bank
Hometown Bank
Mansfield Bank
Mechanics Cooperative Bank
Meetinghouse Bank
Melrose Cooperative Bank
Methuen Co-operative Bank
MutualOne Bank
Mutual Bank
Needham Bank
North Cambridge Co-operative Bank
North Shore Bank
Norwood Bank
Patriot Community Bank
Pilgrim Bank
Pittsfield Co-operative Bank
Reading Cooperative Bank
Sage Bank
Savers Bank
StonehamBank
Stoughton Co-operative Bank
The Cooperative Bank of Cape Cod
The Village Bank
Wakefield Co-operative Bank
Walpole Co-operative Bank
Wellesley Bank
Winchester Co-operative Bank
Wrentham Co-operative Bank

THE CO-OPERATIVE CENTRAL BANK

75 Park Plaza, Boston, Massachusetts 02116
Telephone: (617) 695-0400
www.coopcentralbank.com