

Message from the Chairman of the Board

On behalf of the Century Federal Credit Union Board of Directors, I am pleased to present the annual report. 2010 was a good year for the credit union. However, the assessment of additional fees to cover the overall losses of the Corporate Credit Unions as assessed by the National Credit Union Administration (NCUA), and our unprecedented loan losses continue.

Although NCUA requires credit unions to maintain a capital ratio of at least 7%, measured by financial reserves compared to total assets. Capital reserves help buffer economic downturns and allow for growth. Our ratio by the end of 2010 is 7.84% and reflects our financial strength. The Board strategy is to preserve the financial strength by linking any asset growth with a corresponding net capital growth to maintain an adequate capital ratio.

The Board of Directors and the Staff did not lose sight of the reason we exist: to serve the financial needs of our membership. Accountable, forward-thinking leadership and loyal, quality members have enabled Century FCU to successfully navigate a year marked by credit union liquidations, mergers and increasing insurance fees never seen before. I am proud to report that your credit union is safe, stable and growing, and continues moving forward with our mission to provide the best, most innovative financial services in the greater Cleveland area.

The year-end totals for December 31, 2010 based on the audited financial statement are:

Assets	\$ 312,469,615 (+0.75%)
Deposits	\$ 286,641,914 (+6.86%)
Capital	\$ 24,784,733 (+8.40%)
Net Loans and Mortgages	\$ 215,796,633 (+0.48%)

As many banks and mortgage companies scaled back lending activities dramatically, Century FCU continued to make home loans available, with competitive rates and affordable fees. In late 2010, Century FCU also partnered with myCUMortgage to be able to sell fixed mortgages in the secondary market and hence minimizing interest rate risk. Members having difficulty keeping up with their loan payments also received our assistance with flexible loan modifications.

To protect their wealth from the volatility of stocks and other investment vehicles, members continued to place their trust in Century Federal Credit Union as a safe haven for their deposits, as seen in the 6.86% deposit growth. In addition, your deposits are Federally insured up to \$250,000 by the National Credit Union Administration.

With the strong leadership provided by the Board of Directors, as well as the dedication and hard work of the Staff, Century Federal will continue to focus on meeting the financial needs of our membership through outstanding quality service, convenient service delivery channels, and competitive rates.

Finally, the Board of Directors, Supervisory Committee, Management Team, and Staff are proud to have your business and thank you for choosing us as your financial partner.

Best regards,

Louis J. Ghosn
Chairman of the Board

Branch Locations

Downtown
1240 E. Ninth Street
AJC Federal Building
Room 719
Cleveland, Ohio 44199
(216) 535-3290
Fax (216) 535-3219
M-F: 8:00a - 3:30p

NASA
21000 Brookpark Road
Building 15
Cleveland, Ohio 44135
(216) 535-3400
Fax (216) 535-3409
M-F: 8:00a - 3:30p

Wade Park VAC
10701 East Blvd.
University Circle
Cleveland, Ohio 44106
(216) 535-3600
Fax (216) 535-3609
M-F: 8:00a - 3:30p

North Olmsted
28251 Lorain Road
North Olmsted,
Ohio 44070
(216) 535-3100
Fax (216) 535-3109
M-Th: 8:30a - 4:00p
F: 8:30a - 6:00p
Sat: 8:30a - 2:00p

Brecksville VA Hospital
10000 Brecksville Road
Building 1
3rd Floor, Room C-302
Brecksville, Ohio 44141
(216) 535-3270
Fax (216) 535-3279
M-F: 8:00a - 3:30p
Closed: 1:00-1:30p

Lyndhurst
5465 Mayfield Road
Lyndhurst, OH 44124
(216) 535-3800
Fax (216) 535-3809
M, T, Th: 8:30a - 4:00p
Closed Wednesdays
F: 8:30a - 6:00p
Sat: 8:30a - 2:00p

Sherwin-Williams
101 Prospect Avenue NW
Room 900
Republic Building
Cleveland, Ohio 44115
(216) 535-3700
Fax (216) 535-3709
M-F: 8:30a - 4:00p
Closed: 1:00p - 1:30p

Member Support Center

(216) 535-3200
(800) 615-2328 outside local calling area
memberservice@cenfedcu.org

Audio Response System

(216) 535-3288
(800) 626-7974 outside local calling area
www.cenfedcu.org

**Your funds are insured up to
\$250,000 by the NCUA!**



Treasurer's Report

Although the income statement shows that 2010 was a very successful year for Century with net income increasing to \$1,903,707 for 2010 from \$369,693 in 2009, members suffered a large decline in dividend rates paid on deposits. The reduction in dividends paid to members was largely due to: 1) The Board's planned gradual reduction in dividend rates due to member deposits increasing at a greater rate than capital could be accumulated to meet the National Credit Union Administration's (NCUA) regulatory requirements; and 2) NCUA requiring Century to reduce dividends so that Century's capital ratio met or exceeded 8% of assets.

Century's capital ratio currently exceeds the required 8% ratio. Although the 8% requirement exceeds NCUA's requirement for being a well capitalized Federal credit union, Century was required to meet an 8% capital requirement to partially offset the interest rate risk contained in the fixed rate mortgage portfolio. This is also the principal reason that Century is not currently adding newly issued fixed rate mortgages to its mortgage portfolio.

NCUA Assessment - While members suffered a decline in dividends, in 2010 NCUA assessed Century a total of \$712,905 to recover losses suffered by its National Credit Union Share Insurance Fund (NCUSIF). Corporate credit unions incurred these losses primarily due to poor oversight by NCUA while natural person credit unions like Century have to bear the burden of: 1) Paying financially for NCUA's errors; and 2) Facing increased scrutiny from NCUA's overworked civil servant examiners.

As reported last year, during 2009 NCUA began assessing natural person credit unions to recover these losses. Over the past two years, Century has had to pay \$1,082,065 (\$360,160 in 2009 and \$712,905 in 2010) to the NCUSIF to help cover these losses. Although amounts of future assessments are unknown, Century anticipates that NCUA will continue assessing Federal credit unions for the above mentioned losses over the next four to five years to recover the above mentioned losses. In addition, Century is required to maintain an investment in NCUSIF equal to 1% of eligible deposits, or \$2,820,340 as of December 31, 2010.

As also reported last year, corporate credit unions essentially serve natural person credit unions, like Century, as sources: a) Of liquidity for natural person credit unions like Century; b) Of supposedly safe investments; and c) Ancillary services, i.e. share draft clearing. To date, Century has not incurred any losses in its \$900,000 stock ownership investment in Corporate One Credit Union, which Century is a member, or in its overnight investment. Century's overnight investment at Corporate One is primarily to cover funds required to clear member share drafts. The Board is presently evaluating its current relationship with Corporate One.

Allowance for Loan Losses - During 2010, Century increased its provision for its allowance for loan losses by \$315,000 over its 2009 provision. The 2010 expense for provision for loan losses was \$1,500,000. The allowance for loan losses at the end of 2010 was \$1,557,377.

During 2010, \$1,312,505 of secured loans and unsecured credit were charged off.

VISA, signature loans, and unsecured lines of credit represented \$843,495 of the loss while: a) First mortgages represented \$145,199; b) Second mortgages including home equity lines of credit charge-offs were \$88,940; and c) Automobile loan charge offs were \$234,871. The home equity charge offs included lines of credit issued in the 90-100% loan to value category. Century no longer issues home equity loans that exceed the 85% loan to value with the outstanding first mortgage balance included in the computation.

Since both VISA and Signature loan interest rates are priced to the member based upon member credit risk, a portion of the charge offs for these products was recovered from the increased interest rate.

During 2010 the net recovery on charged off loans was \$181,422.

Return to Members - Even though Century had to greatly reduce dividend rates paid to members, the Board of Directors continued to provide dividend rates on member savings that generally still matches interest rates offered for savings at financial institutions. The Board has also followed the strategy of targeting rates for term shares (CDs) maturing in 24 or months at the top tier of rates being paid in the Cleveland area.

Unsecured Credit - As mentioned above and in prior annual reports, Century prices its unsecured credit based upon a member's credit risk. This is primarily based upon a credit score. During 2010 interest rates were increased for VISA lines of credit to ensure that the members with increased credit risk were being charged accordingly. Additionally, based upon credit score, VISA credit lines were reduced for newly issued cards over what they would have been under Century's prior loan policy. However, management still needs to continue to evaluate the VISA program to ensure that the members with higher credit risk are being charged appropriately based upon the risk of charge-off and to ensure that credit risk is being measured properly.

Sincerely,

Tim Edmunds
Treasurer

2010 Financial Statements

Century Federal Credit Union and Subsidiaries

Consolidated Balance Sheets

	December 31, 2010 and 2009	
	2010	2009
Assets		
Cash and Cash Equivalents	\$ 27,150,868	\$ 11,641,439
Investments	62,525,655	76,732,482
Loans to Members	217,354,010	216,312,003
Allowance for Loan Losses	(1,557,377)	(1,188,458)
Net Loans to Members	215,796,633	215,123,545
Property and Equipment	1,794,069	1,712,559
Accrued Interest Receivable	791,396	730,993
Deposit in NCUSIF	2,820,340	2,459,946
Other Assets	1,590,654	1,757,100
Total Assets	\$ 312,469,615	\$ 310,158,064
Liabilities and Equity		
Member Shares	\$ 286,641,914	\$ 268,234,235
Accounts Payable	1,042,968	1,265,128
Notes Payable	-	18,003,567
Statutory Reserve	3,597,645	3,597,645
Undivided Earnings	21,187,088	19,057,489
Total Liabilities and Equity	\$ 312,469,615	\$ 310,158,064

Consolidated Statement of Income

	December 31, 2010 and 2009	
	2010	2009
Interest Income		
Interest on Loans	\$ 11,525,381	\$ 10,581,129
Investment Income	1,757,759	2,443,615
Total Interest Income	13,283,140	13,024,744
Interest Expense		
Dividends on Shares	3,548,423	5,624,890
Interest on Borrowed Money	423,452	331,877
Total Interest Expense	3,971,875	5,956,767
Net Interest Income	9,311,265	7,067,977
Provision for Loan Losses	1,500,000	1,185,000
Net interest income after provision for loan losses	7,811,265	5,882,977
Non-Interest Income		
Fees and charges	2,417,183	2,476,276
Gain on sale of investments	499,803	77,968
Total Non-Interest Income	2,916,986	2,554,244
Non-Interest Expense		
Compensation and Benefits	3,459,197	3,555,743
Office Occupancy	242,093	240,070
Office Operations	2,606,675	2,517,918
Other Operating Expenses	1,673,899	1,753,797
Prepayment of FHLB loans expense	842,680	-
Total Non-Interest Expense	8,824,544	8,067,528
Net Income	\$ 1,903,707	\$ 369,693

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Sharon Churchill

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Director of Marketing
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Lending Manager
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Team Members

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Tim Csuti
Julie Dunn
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Chrisilyn Falensky
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Janet Kovalak
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Matthew Lyzen
Sally Mandic
Linda Martin
Denise McLaughlin
Deedra Miles-Yarbrough
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Jeanette Ozimek
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