

2009 Annual Report

SETTING OUR SIGHTS TO MEET YOUR NEEDS



Report of the Board of Directors

On behalf of the entire Board of Directors of Interra Credit Union, it is my pleasure to write the 78th annual report. The board members include Richard Snider, Elroy Miller, Linda Garber, Kathy Brewton, David Myers, Loren Eash and myself. On your behalf, the board works to set a course and direction that will help create opportunities for a better future for the credit union and the communities in which we do business. We encourage your input at any time.

In light of current economic uncertainties, I am pleased to report to you that your credit union remains a strong and stable financial cooperative. This is exemplified by the capital ratio of 12.9%, which exceeds peer comparisons. In addition, the delinquency and charge-off ratios are much lower than our peer groups.

This is not accidental. Your credit union's sound and realistic lending practices have served it well...and served our members well. The trusted and experienced loan staff work diligently on behalf of our members' best interests.

Interra's commitment to the "Seven Cooperative Principles" shows the credit union difference and provides direction for the credit union's service to its member-owners.

Membership. It starts with ownership and perspective. At Interra, you're not a customer, you're a member-owner of the credit union, and that puts the focus on YOU. At many other financial institutions, the expectations of shareholders for a return on their investments remain the top priority.

Democratic member control. As a financial cooperative, Interra members have a direct voice in the democratic control process. It's the members who elect the board of directors and the supervisory committee.

Members' Economic Participation. The success of the credit union, and its member-owners, is in direct proportion to how members use the products and services available to meet their needs.

Autonomy and independence. As a cooperative, your credit union is an autonomous, self help financial organization, controlled by the members.

Education, training and information. You can count on Interra for educational opportunities, where member financial education is a top priority. The credit union also provides education and training for volunteers and staff to better serve members.

Cooperation among Cooperatives. The credit union best serves members most effectively by working together through local, national, regional and international structures. The shared branch network is an example of "cooperation among cooperatives."

Concern for the community. Interra Credit Union is an active and committed partner in the communities we serve, and we are known for it.

It is our goal to, on your behalf, support the mission of this credit union, "To be our members most trusted and valued financial resource." Thank you for the continued trust and confidence you place in YOUR credit union.

Steve Warner
Chairman of the Board

I'm sure that most of us were quite happy to see the year 2009 end. Never in my industry experience have I seen such stress in the financial institution arena.

However, under the circumstances, Interra Credit Union members should take great pride in the accomplishments of their credit union in 2009. There has been a good sustainable growth pattern in all areas. In fact, it was a year of "milestones," as 45,000 Interra members represent more than \$500 million in assets, more than \$400 million in deposits and more than \$300 million in loans.

Membership growth continued to increase, 2.4% net at year end. Deposit growth increased 10.4% and loan growth ended the year with a 7.1% increase. Return on assets ended at .21%, below budget, yet better than our peer group. The credit union's loan charge-offs were understandably up in 2009, but continue to remain lower than our peer group. Our capital remains strong at 12.9%, which is much higher than our peer group.

Corporate credit unions are examined by, and under the oversight of, the National Credit Union Association (NCUA), a federal agency. Their losses have adversely impacted all natural person credit unions. Interra was not exempt and, in the cooperative way, the burden was shared by all. We are very proud of the fact that Interra Credit Union has never relied on taxpayer money, such as TARP funds.

Interra members continue to use products and services, evidenced by the steady increase in household penetration. Leading the field were HSAs, IRAs, student loans and My Rewards Checking. Staff quality loop scores, which measures "service to members," excelled in 2009, reaching the highest level since implementation.

Our board and management team worked tirelessly in 2009 to review and define Interra's Strategic Business Plan: We will continue our efforts to grow membership; we will collaborate and network with our peers; we will ensure exceptional service; we will continue to develop our brand and community involvement; and we will develop a disciplined relationship strategy which will ultimately rebalance our marketing assets.

As much as it was good to see 2009 come to an end, I'm happy to provide the above positive report written in such a challenging time. Thanks to our members, our staff, our board of directors and supervisory committee, we had another year of "heading in the right direction." I'm looking forward to this year and to report again at the end of 2010. I appreciate the opportunity to serve as the CEO and president of Interra Credit Union.

Jack A. Sheets
President

Executive Loan Committee of Interra Credit Union met on a weekly basis in 2009 to review real estate, commercial and agricultural loans. Committee members are Andy Gangwer, Sanford Miller and Leon Yoder.

During the year, 5,035 member loans were approved by loan officers or by the loan committee for a total loan amount of almost \$150 million. With the continued economic challenges in our lending area, the credit union showed a loan growth of more than 7% for 2009. There was significant demand for vehicle loans and for refinancing of first mortgage loans, as members took advantage of lower rates.

Two tremendous factors came into play during the 2009 credit lending environment. The first was the mandated regulations from state and federal entities. Continued regulations will evolve in 2010 as well. Our second challenge is our continued response to our members who are subject to the severe economic climate of our area. The credit union looks to each individual and to each situation to work out the best possible solutions. Still, Interra Credit Union continued to achieve delinquency and charge-off loan ratios below our peer averages.

In 2009, the credit union introduced a new product for our members – student loans. Beginning last July, the credit union partnered with Credit Union Student Choice to offer the new program. It has been met with great member response, with the volume more than double our original expectations.

At Interra Credit Union, we continue to look for ways to serve our members as a significant resource to improve their financial well being. In that light, not only do the loan officers and loan staff work diligently to serve members' lending needs, the staff presents a variety of educational seminars to help enhance members' understanding of the financial world.

Andy Gangwer
Executive Vice President

The Supervisory Committee was created by law to act as the members' representative in monitoring and guiding operations of the credit union. The committee's objective is to assure each member of the credit union's financial strength and stability.

BKD, LLP, was retained to perform an audit of Interra Credit Union's financial statements for the fiscal year ending March 31, 2009. The audit was performed in accordance with auditing standards generally accepted in the United States of America. The results of the audit determined the financial statements accurately represent the financial condition of the credit union, which continues to remain financially strong.

BKD, LLP, reviewed the internal controls of the credit union as part of the audit of the financial statements. Management responded quickly and thoroughly addressed each item listed in BKD's management letter. The credit union continues to demonstrate effective internal controls, follows established policies and procedures and is in compliance with federal and state laws and regulations to keep the credit union's assets secure.

The Supervisory Committee met throughout the year to review internal and external audit results. The committee works independently on behalf of the credit union members to ensure that questions or issues pertaining to individual member accounts are resolved. In 2009, as required by the State Act for state-chartered credit unions, the Committee conducted an audit of the member's accounts. The members were asked to confirm the balance of their accounts on March 31, 2009. There were a few discrepancies reported and they were promptly resolved.

The committee wishes to express our sincere appreciation to the Board of Directors, management and staff for their cooperation and assistance throughout the year.

Crystal Hooley, Chair
Tony Miller
Darin Short

During periods of financial uncertainty, like the last two years, people turn to institutions they know they can trust, like Interra Credit Union. I am pleased to report that 2009 was an exceptional year for Interra Investments as credit union members sought us out in record numbers for financial counseling and advice.

We believe it's our responsibility to help members decipher what's going on in the markets, understand their investment options, and provide assistance in making the choice that's best for each individual's circumstance and goals. This year is a chance for us – Interra Credit Union members and the trusted advisors at Interra Investments – to work together to build a financial plan that is uniquely tailored to meet their needs.

The remarkable growth we experienced last year took place in a volatile and troubled market that left investors confused and uncertain where to turn for help they could trust.

In large part, this success is attributable to people rediscovering that banking is local. It's important and worth a lot to have a personal relationship with advisors who know your name and understand your priorities. Just as importantly, the credit union decision makers are located right here at home, not in a large city 1,000 miles away.

We know that in order to develop long term relationships, members need to trust us and know they can rely on us. The Interra Investments team of seven financial professionals has redoubled our efforts to deepen the personal relationships we have and to build long-lasting trust with members, new and old.

We continue to offer unbiased, personal financial advice that keeps the members' best interests at heart. That's our competitive advantage and margin of difference – which sets us apart from the rest of the pack.

There's never been a better time to be a member of Interra Credit Union!

David W. Birky
President, Interra Investments

Representatives are registered, securities are sold, and investment advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor, 2000 Heritage Way, Waverly, Iowa 50677, toll-free 866.512.6109. Non-deposit investment and insurance products are not federally insured, involve investment risk, may lose value and are not obligations of or guaranteed by the financial institution. CBSI is under contract with the financial institution, through the financial services program, to make securities available to members.

Jennifer Abney
Teller

Jordan Adams
Management Trainee

Susie Adkins
Teller

Luis Aguilar
Branch Float

Esther Alwine
Teller Float

Kristie Baker
Records & Research

Larry Bayless
Loan Review Specialist

Marcile Beard
Administrative Assistant

Ben Bemiller
Teller

Alisa Bender
Call Center Representative

Jessica Biller
Training Assistant

Lindsey Birch
Teller

David Birky
President - Interra Investments

Mike Blosser
Branch Manager

Donna Borkholder
Teller

Liz Borotrager
Branch Manager

Elta Bradford
Teller

Kathy Brovont
Lead Teller

Tavia Brubacher
Teller

Brandi Burdette
Call Center Representative

Esther Burgos
Teller

Allison Burkholder
Administrative Assistant

Odalis Chacon
IS Technician

Jodi Chesley
Teller

Angie Clem
MSR

Becky Coppens
Lead Teller

Stacey Darr
Systems Coordinator

Michelle Davis
Teller

Diane Dearth
Accounting Clerk

David Dekker
Call Center Manager

Terri Dewald
Training & Development Manager

Richelle Dick
Administrative Assistant

Bob Donegan
Maintenance

Dawn Douma
Lead Teller

John Eicher, Jr.
MSR

Rachel Ely
Mortgage Loan Officer

Eric Erlenwein
Collector

Rhonda Eslinger
Director of Human Resources

Jon Flickinger
Ag & Mortgage Loan Officer

Maria Galindo
Teller

Michael Galinowski
Systems Programmer

Cici Gallegos
MSR

Peggy Ganger
Teller

Andy Gangwer
Executive Vice President

Deb Garman
Director of Operations

Paul Gayler
Financial Services Representative – Insurance Specialist

Jason Golden
Ag Loan Officer

Carmen Gonzalez
Call Center Representative

Staci Goss
Mortgage Loan Officer

Melaine Gough
Loan Clerk

Jessica Green
Lead Teller

Nikki Gruesser
Branch Float

Angie Hahn
Interra Investments Coordinator/Sales Assistant

Liz Hall
Management Trainee

Bev Harman
Float

Leanne Heckaman
Teller Supervisor

Teresa Hendricks
MSR – Member Education Specialist

Katie Henke
Records & Research

Tonya Henry
Teller

Greicy Hernandez
Branch Float

Jeanette Hess
Teller

Rex Hochstedler
Chief Financial Officer

Sue Holdeman
Teller

Nancy Hoover
Loan Clerk

Kim Hostetler
Float

Michelle Huddleston
Loan Dept. Coordinator

Tara Hudson
Collector

Dan Hulse
Help Desk Technician

Aubrey Hunsberger
Compliance Assistant

Tonya Jaberg
Mortgage Processor

Cara Jeeves
Marketing Coordinator

Blair Juarez
Loan Clerk

Mike Kauffman
Branch Manager

Vickie Kauffman
Records & Research

Misty Keller
Branch Manager

Pam Kemmerling
Mortgage Processor

Kim Kern
Float

Becky Kirkdorffer
Teller

Randy Lehman
Loan Officer

Stephanie Lehman
Call Center Representative

Amanda Lengacher
Teller

Katie Lindzy
Administrative Assistant

Melena Long
Teller

Katelyn Looker
GHS Intern

Deb Madlem
Teller

Tosha Maran
ACH Specialist

Jill Martin
Teller

Fern Mast
Bookkeeper

Liz Mast
MSR

Tracy Mast
Administrative Assistant

Marilyn Mathews
Teller

Kari Mauck
Teller

Judy Maurer
Network Coordinator

Maria Mendoza
Teller

Tatyana Merezhko
Teller

Alesya Mikhaylenko
Branch Float

Charlie Miller
Branch Float

Cherry Miller
Records & Research

Kayla Miller
Teller

Sanford Miller
Vice President of Branch Administration

Willie Miller
Courier

Stephanie Mishler
Marketing Assistant

Dawn Morey
Teller

Haley Nickell
Teller

Pam Oberlin
Teller

Carla Oplinger
Special Projects

Debbie Ott
Mortgage Loan Assistant

Martha Packer
Director of Loss Prevention & Electronic Services

Eva Parcell
Registered MSR

Dave Parsons
Branch Manager

Ruth Peshina
Loan Verifier

Deedra Phenis
Branch Float

JoAnne Pickens
MSR - Trust Specialist

Christin Pinckert
Recruiter/Benefits Specialist

Angie Pletcher
Compliance Officer

Maria Price
Call Center Representative

Sue Purdue
Financial Services Representative

Roger Ramer
Courier

Tane Reed
Branch Manager

Joel Richard
Branch Manager

Esmi Rivera
Receptionist

Tyler Roth
Senior Loan Officer

Jenny Roush
Teller

Vera Rudolph
Ag Loan Officer

Jody Saige
Director of IS

Lucy Sanchez
MSR – Hispanic Service Specialist

Gretchen Santiago
Member Services Manager/RMSR

Eileen Schneider
Call Center Representative

Erin Schrader
Administrative Assistant

Kallie Schuetz
Senior Card Services Representative

Jack Sheets
President

Cindy Shepherd
Teller

Jamie Shepherd
Receptionist

Kathryn Shepherd
Teller

Brenda Sherman
Branch Float

Becky Shultz
Lead Teller

Jessica Slagel
Branch Float

Gynelle Slayton
Administrative Assistant

Sue Snider
Teller

Annette Stauffer
Float

Karen Steffensen
Director of Marketing

Waneta Stutzman
Mortgage Clerk

Martha Swartzentruber
Branch Float

Wanda Taylor
Teller

Dan Temple
Registered MSR

Norma Terrazas
Administrative Assistant

Sandi Trenshaw
Float

Brittany Troyer
Branch Float

Katie Ulrich
Teller

Janet VanderMeer
Human Resources Assistant

Heather Vargas
Teller

Debra Walsh
Administrative Assistant

Rajesh Wankhade
Teller

Brenda Weatherton
Branch Manager

Kari Weaver
Teller

Sherry Wenger
Internal Auditor

Sherrie Wert
Records & Research Supervisor

Carl Westerbeek
Facilities Manager

Nancy Westrich
Teller

Phil Wiens
Commercial Loan Officer

Char Willett
Executive Administrative Assistant

Erin Wilson
Director of Accounting

Martin Wilson
MSR – Business Services Specialist

Jim Wise
Courier

Wongel Worabo
MSR – IRA Specialist

Debbie Wright
Lead Teller

Brandon Yoder
Branch Manager

Chelsey Yoder
Teller

Leon Yoder
Commercial Loan Officer

Renee Yoder
Teller

Stan Yoder
Senior Mortgage Loan Officer

Tammy Yoder
MSR

Alan Zimmerman
Financial Analyst

Income

Interest Income-Loans
Interest Income-Investments
Other Income
Total Income

	2009	2008
Interest Income-Loans	\$ 18,008,057	\$ 18,326,909
Interest Income-Investments	4,059,853	5,436,452
Other Income	4,708,495	4,663,273
Total Income	26,776,405	28,426,634

Expenses

Payroll & Benefit Expense
Office Occupancy
Office Operations
Members Services
Provision for Loan Loss
Corporate Capital Write-Off
ASI Special Premium
Other Expenses

Payroll & Benefit Expense	\$ 7,952,245	\$ 7,286,251
Office Occupancy	2,224,809	2,316,781
Office Operations	1,494,649	1,626,245
Members Services	1,228,328	1,298,979
Provision for Loan Loss	1,211,572	681,114
Corporate Capital Write-Off	2,569,114	–
ASI Special Premium	635,767	–
Other Expenses	1,620,323	1,847,171

Total Expense

Net Income

Total Expense	18,936,807	15,056,541
Net Income	\$ 7,839,598	\$ 13,370,093

Distribution of Earnings

Dividends
General Reserve Fund
Undivided Earnings

Dividends	\$ 6,836,570	\$ 9,471,909
General Reserve Fund	1,338,820	1,421,331
Undivided Earnings	(335,792)	2,476,853

Net Income Distributed

Net Income Distributed	\$ 7,839,598	\$ 13,370,093
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Our Mission

To be our members' most trusted and valued financial resource

Committed to Excellence

We are committed to:

- providing you with an exceptional level of service.
- making it easy for you to do business with us.
- treating you with the highest standards of respect and professionalism.
- identifying your financial needs and offer solutions that will improve your financial life.
- delivering accuracy in all of our work.

	2009	2008
Assets		
Cash and Investments	\$ 160,226,721	\$ 140,243,782
Loans, net	314,575,912	293,645,337
Property & Equipment	19,050,825	17,639,544
Other Assets	8,378,887	8,236,484
Total Assets	\$ 502,232,345	\$ 459,765,147
Liabilities & Members' Equity		
Liabilities		
Share Accounts	\$ 435,527,979	\$ 394,667,493
Other Liabilities	2,144,774	2,069,781
Total Liabilities	437,672,753	396,737,274
Members' Equity	64,559,592	63,027,873
Total Liabilities & Equity	\$ 502,232,345	\$ 459,765,147

Year	Shares	Loans	Assets	Members' Equity
1932	\$ 1,058	\$ 1,052	\$ 1,125	\$ n/a
1935	6,821	6,787	7,308	413
1940	27,611	29,416	29,542	1,116
1945	322,887	258,346	330,663	5,121
1950	692,044	771,210	811,929	43,893
1955	1,491,641	1,394,259	1,622,387	130,548
1960	1,558,785	1,544,366	1,769,045	209,839
1965	2,737,217	2,309,238	3,059,388	321,553
1970	4,764,550	4,075,969	5,309,992	544,885
1975	11,719,658	9,091,286	12,999,668	1,179,694
1980	24,369,270	17,041,302	26,680,810	2,311,033
1985	46,928,194	29,183,086	52,317,176	5,384,936
1990	84,777,576	55,798,447	98,097,786	13,024,693
1995	137,658,854	92,379,739	160,603,902	22,543,035
2000	210,230,940	163,563,506	244,752,409	33,954,117
2005	317,688,468	259,857,319	370,000,738	50,845,212
2006	344,943,639	281,694,064	402,006,911	55,548,025
2007	369,673,158	287,349,985	430,808,347	59,445,263
2008	394,667,493	293,645,337	459,765,147	63,027,873
2009	435,527,979	314,575,912	502,232,345	64,559,592

Equity • Shares • Loans • Assets • Membership

