

2012 Annual Report

FOCUSED ON
YOUR
FUTURE

 **INterra**
CREDIT UNION

On behalf of the entire Board of Directors of Interra Credit Union, it is my pleasure to write the 81st annual report. The board members include Kathy Brewton, Loren Eash, Linda Garber, David Myers, Russ Rupp, Tim Yoder and myself.

Course and direction for the future of Interra's members are securely grounded in the long historical roots within the communities we serve. It goes beyond financial services to include care for and involvement in those communities.

Your board is committed to the seven cooperative principles, starting with the focus on YOU, Interra's members, who are the credit union's owners. It continues with democratic member control of the Board of Directors and the Supervisory Committee. The success of the credit union is in direct proportion to how members use the products and services available to meet their needs, the principle of members' economic participation. Cooperatives, like Interra, practice autonomy and independence, focusing on member control and self help. Interra lives the principle of providing education, training and information opportunities to the membership in a variety of ways. The credit union strongly supports the principle of cooperation among cooperatives, actively involved in collaborations and involvement with other credit unions and other entities within the cooperative movement. Finally, the concern for the community is shown by the credit union, the staff and the members who work together to help those in need and enhance the quality of life in our communities.

The credit union closed the books on 2012 with a capital ratio of 12.14%, continuing to exceed peer comparisons. Our strong financial foundation gives us the ability to look to the future in many unique ways. That is exemplified by the continued expansion of the credit union, including the opening of the Syracuse office last fall, the first Interra location outside Elkhart County. Under the leadership of a future-focused management team, it continues with the investment in secure technology and electronic services to meet the needs of a diverse and growing membership.

On your behalf, the board works to set a course and establish direction. Our goal is to 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.

As your representatives, the board supports Interra's mission, "To be our members most trusted and valued financial resource." Thank you for choosing Interra Credit Union, where we are *Focused on YOUR Future!*

Steve Warner
Chairman of the Board

For more than 80 years, Interra Credit Union has been serving members starting with seven charter members and one small office back in 1932. From those strong roots, great things grow.

Today, Interra serves more than 50,000 members at 11 offices in north central Indiana. With the approved expansion of our field of membership last year, the additional contiguous counties to Elkhart County are in the field of membership and are open to individuals, businesses and organizations that are established within those areas. The credit union continues to look at ways to grow into and support additional communities. The first office outside of Elkhart County, in Syracuse, opened last fall and was an instant success.

Growth is possible because members continue to discover the cooperative financial institution difference, a not for profit cooperative as an alternative to the for-profit big banks. The principled cooperative foundation continues to be a big part of Interra's success and growth. New memberships outpaced peer credit unions and members' economic participation is very high. Volunteers, the Board of Directors and Supervisory Committee, are elected from the membership. Collaboratively, Interra has developed 14 valued relationships with other credit union service organizations, the large shared branching and ATM networks being the most popular. Always focused on education and training, our employee training program is a market leader. Members from youth to seniors find value in financial education seminars and workshops. Concern for the communities we live in is the last and very important cooperative principle. We do that extremely well.

For a vibrant future, all stakeholders should be educated and knowledgeable about the bedrock of our success – our cooperative structure and principles. From our new to existing members, employees, management, volunteers, community leaders, and elected officials, our success *pays dividends* to each other and will play an important role as we move to the “next economy.”

This year, as we are performing the 2013 strategic plan, you can expect the best from our engaged staff. The strategic statements are as follows: ensure that Interra is the employer of choice; leverage capital to enhance technology and all areas of lending; develop strategies centered on member convenience by providing multi-channel deliveries, including branches, and especially by enhancing mobile delivery; and market to our members with relevant and targeted messages to promote economic participation and to continue education to all stakeholders.

In closing, we are focused on you, the members of Interra as we seek to employ the best to serve you, to make Interra the financial institution of choice, and work to make everyone more successful as a result of doing business with your local financial cooperative. It has been a pleasure to serve you during 2012. We look forward to serving you in 2013.

Jack A. Sheets
President

The Executive Loan Committee of Interra Credit Union met on a weekly basis in 2012 to review real estate, commercial and agricultural loans. Committee members are Andy Gangwer, Phil Wiens and Sanford Miller.

During the year, 6,655 member loans were approved by loan officers or by the Executive Loan Committee for a total loan amount of just over \$232,458,460.

The local economy is still subject to significant unemployment metrics. Also, there has been and will continue to be a tremendous amount of mandated government regulations that pressure staff and the credit union's time.

Despite the current economic environment, the credit union was able to see a steady increase in our overall loan balance from our members. For the year we saw a 6.2% increase in loans which represents about a \$21 million increase in the overall loan balance.

Members continued to seek our student loan product for higher education with an increase of a million dollars from the previous year. We saw commercial loans increase a little over \$11 million and we saw agricultural loans increase over \$6 million. There does seem to be a strong demand coming off the recession for vehicles. The vehicle loan balance increased a little over 11% from the previous year.

For those seeking either to refinance their existing mortgage or for those looking for their first home, interest rates have been at their lowest level in decades.

The credit union continues to strive for products and services along with technologies that can enhance members' satisfaction, "To be our members' most trusted and valued financial resource."

We move forward to chart the future and look for opportunities to serve you better. Interra is your credit union. We encourage you to be an active member, participating in the cooperative, by using the products and services, by thinking of Interra first when you look for a mortgage or car loan, for your checking account, for your investments and for all your financial needs.

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, 2012. The audit was performed in accordance with auditing standards generally accepted in the United States of America. The audit resulted in the issuance of an unqualified (clean opinion) on the financial statements.

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.

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
Darin Short
Tony Miller

Interra Investments enjoyed a record year in 2012, due primarily to the trust and confidence members place in Interra Credit Union. Assets under management increased 22% surpassing \$50 million, resulting in a 67% increase in profitability.

Led by the two full-time advisors, Paul Gayler, Program Manager, and Sue Purdue, Senior Investment Representative, Interra Investments focuses on building a practice based on member trust.

The growth at Interra Investments has been enhanced by members who recommend our advisors to their friends and family; and credit union staff who buy into the process and regularly make referrals. They believe in the way financial advisors look out for members as well as in the results they have realized. The financial advisors at Interra Investments are unique since they don't work on commission, which allows them to keep their members' best interests at heart.

It is nothing short of remarkable that the growth of Interra Investments has been achieved in a time of economic uncertainty. That shows the value credit union members place on working with the people they know – the trusted advisors at Interra Investments and Interra Credit Union.

Despite an economic and political climate of uncertainty, equity market returns remained strong in 2012. Both the Dow Jones Industrial Average (DJIA) and the broader Standard & Poors (S & P) indices enjoyed double-digit growth, 10% and 16% respectively. Bond markets performed well, as interest rates remained low.

On behalf of the Interra Investments staff, thank you for your continued trust and confidence. We take it very seriously and always focus on YOUR best interests.

David 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
Administrative Assistant

Jordan Adams
Branch Manager

Susie Adkins
Teller

Christina Alejandro
Administrative Assistant

Esther Alwine
IRA/HSA Processor

Tonya Ankrom
Teller Float

Avalon Armas
Teller

Larry Bayless
Loan Review Analyst

Kearstin Beall
ICE Intern

Jeremy Bender
Ag Loan Officer

Mindy Berger
Branch Float

Patrick Berney
Float

Jessica Biller
Training & Development
Manager

David Birky
Vice President, Member
Development and President,
Interra Investments

Mike Blosser
Commercial Loan Officer

Liz Borntrager
Branch Manager

Ashley Braun
Teller

Kathy Brovont
Head Teller

Tavia Brubacher
Teller

Allison Burkholder
Administrative Assistant

Angie Clem
MSR

Becky Coppens
Head Teller

Katherine Cripe
Escrow Specialist

Stacey Darr
Systems Coordinator

Michelle Davis
Training Assistant

Russ Dawson
Marketing Research Analyst

Diane Dearth
Accounting Clerk

David Dekker
Call Center Manager

Richelle Dick
Administrative Assistant

Britney Dominguez
Branch Float

Bob Donegan
Maintenance

Dawn Douma
Vault Teller

Mary Easton
Teller

John Eicher, Jr.
MSR

Rachel Ely
Mortgage Loan Officer

Eric Erlenwein
Collector

Kelley Esch
Teller

Rhonda Eslinger
Director of Human
Resources

Hilary Ethridge
Branch Float

Liz Fawley
Branch Manager

Jon Flickinger
Mortgage Loan Officer

Allison Frye
Teller

Michael Galinowski
Systems Programmer

Cici Gallegos
MSR – Hispanic Service
Specialist

Peggy Ganger
Teller

Andy Ganger
Executive Vice President

Molly Gangwer
Teller

Deb Garman
Director of Operations

Paul Gayler
Investments Program
Manager

Jason Golden
Ag Loan Officer

Meg Gongwer
Branch Float

Carmen Gonzalez
Call Center Representative

Jessica Goorhouse
Branch Float

Staci Goss
Mortgage Loan Manager

Kevin Graber
Network Coordinator

Lesley Grass
Administrative Assistant

Jessica Green
Loan Clerk

Peggy Guyas
Branch Manager

Bev Harman
MSR

Leanne Heckaman
Teller Supervisor

Teresa Hendricks
MSR – Member Education
Specialist

Tonya Henry
Head Teller

Rex Hochstedler
Vice President of
Finance/CFO

Melissa Homes
Teller

Nancy Hoover
Loan Clerk

Kate Hose
Teller

Kim Hostetler

Float

Michelle Huddleston

Loan Dept. Coordinator

Tara Hudson

Collector

Carmen Huijgen

Teller

Dan Hulse

Help Desk Technician

Aubrey Hunsberger

Compliance Assistant

Blair Juarez

Consumer Loan Officer

Mike Kauffman

Branch Manager

Vickie KauffmanImage & Research
Specialist**Brittany Kehr**

Administrative Assistant

Pam Kemmerling

Mortgage Processor

Joseph King

Financial Analyst

Becky Kirkdorffer

Teller

Michelle Lantz

Teller

Jill Lechlitner

Teller

Brittany Leeper

Branch Float

Randy Lehman

Commercial Loan Officer

Stephanie Lehman

Call Center Representative

Amanda Lengacher

Member Service Verifier

Tammy Leroux

Teller

Katie Lindzy

Mortgage Clerk

Melena Long

Teller

Tosha Maran

ACH Specialist

Jill Martin

Teller

Fern Mast

Bookkeeper

Tracy Mast

Administrative Assistant

Marilyn Mathews

Teller

Judy MaurerInformation Security
Coordinator**Maria Mendoza**

Teller

Curtis Meyer

Branch Manager

Angie Miller

Teller

Charlie Miller

Assistant Branch Manager

Cherry Miller

Image & Research Specialist

Sanford MillerSenior Vice President
of Operations**Sara Miller**

Training Assistant

Willie Miller

Courier

Ruth Moore

Teller

Kelsey Nesbitt

Teller

Amy Nicholls

Mortgage Processor

Haley Nickell

Branch Float

Courtney Oberholzer

Teller

Pam Oberlin

Teller

Carla Oplinger

Special Projects Coordinator

Debbie OttMortgage Processing
Assistant**Jasmine Otto**

Teller

Amber Owen

Teller

Martha PackerSecurity Officer/Loss
Prevention**Eva Parcell**

Registered MSR

Dave Parsons

Branch Manager

Katie Paulus

Image & Research Specialist

Kim Pedler

MSR – IRA/HSA Specialist

Ruth Peshina

Loan Verifier

JoAnne Pickens

MSR - Trust Specialist

Christin Pinckert

Recruiter

Angie Pletcher

Compliance Officer

Jodi Polhemus

Teller

Krystal Pollock

Teller

Sue Purdue

Investment Representative

Erica Quezada

Float

Roger Ramer

Courier

Jasmine Rumos

Teller

Tane Reed

Branch Manager

Joel Richard

Regional/Branch Director

Esmi Rivera

Call Center Representative

Alma Rodriguez

Branch Float

Leah Roe

MSR

Tyler Roth
Consumer Loan Officer

Jennifer Roush
Branch Float

Jody Saige
Director of Information
Systems

Nicole Schmidt
MSR

Joe Schneider
Member Service Manager

Erin Schrader
Call Center Representative

Kallie Schuetz
Card Services Specialist

Alaina Schuld
Management Trainee

Jack Sheets
President

Jamie Shepherd
Loan Clerk

Kathryn Shepherd
Teller

Arica Shetler
Teller

Nicky Shields
Teller

Becky Shultz
Head Teller

Ali Smith
Teller

Chris Smith
Business Development
Manager

Tricia Smith
Teller

Megan Stanger
Teller

Katie Stanley
Receptionist

Annette Stauffer
Float

Ruby Stech
Branch Float

Karen Steffensen
Director of Marketing

Roger Steuer
IS Technician/Programmer

Martha Swartzentruber
MSR

Kaitlyn Taylor
Branch Float

Dan Temple
Mortgage Loan Officer

Norma Terrazas
Teller

Sandi Trenshaw
Image & Research Specialist

Collette Troyer
Marketing Specialist

June Tucker
Teller

Janet VanderMeer
Human Resources Assistant

Tim Vogel
Marketing Coordinator

Debra Walsh
Administrative Assistant

Rajesh Wankhade
Teller

Brenda Weatherton
Branch Manager

Kari Weaver
Head Teller

Stephanie Weldy
Loan Clerk

Sherry Wenger
Internal Auditor

Sherrie Wert
Payment Systems Manager

Carl Westerbeeck
Facilities Manager

Phil Wiens
Chief Lending Officer

Char Willett
Executive Administrative
Assistant

Tell Williams
Teller

Martin Wilson
MSR – Business Services
Specialist

Rachel Wood
Teller

Brad Woodiwiss
Management Trainee

Brandon Yoder
Regional Branch Director

Laura Yoder
Head Teller

Renee Yoder
Investments Coordinator/
Registered MSR

Susan Yoder
Teller

Tammy Yoder
MSR

Brandi Zepeda
Card Services Specialist

Alan Zimmerman
Accounting Manager

Operating Statement

| | 2012 | 2011 |
|---------------------------------|---------------------|---------------------|
| Income | | |
| Interest Income – Loans | \$ 17,215,065 | \$ 17,749,204 |
| Interest Income – Investments | 3,243,572 | 3,139,531 |
| Other Income | 6,788,989 | 5,464,087 |
| Total Income | 27,247,626 | 26,352,822 |
| Expenses | | |
| Payroll & Benefit Expense | \$ 8,985,503 | \$ 8,783,488 |
| Office Occupancy | 2,397,340 | 2,335,615 |
| Office Operations | 2,289,537 | 1,945,691 |
| Members Services | 1,601,816 | 1,388,430 |
| Provision for Loan Loss | 556,242 | 498,335 |
| ASI Special Premium | 486,712 | 740,799 |
| Other Expenses | 2,862,568 | 1,904,224 |
| Total Expense | 19,179,718 | 17,596,582 |
| Net Income | \$ 8,067,908 | \$ 8,756,240 |
| Distribution of Earnings | | |
| Dividends | \$ 3,701,726 | \$ 4,433,047 |
| General Reserve Fund | 1,362,381 | 1,317,641 |
| Undivided Earnings | 3,003,801 | 3,005,552 |
| Net Income Distributed | \$ 8,067,908 | \$ 8,756,240 |

Our Mission

To be our members' most trusted and valued financial resource

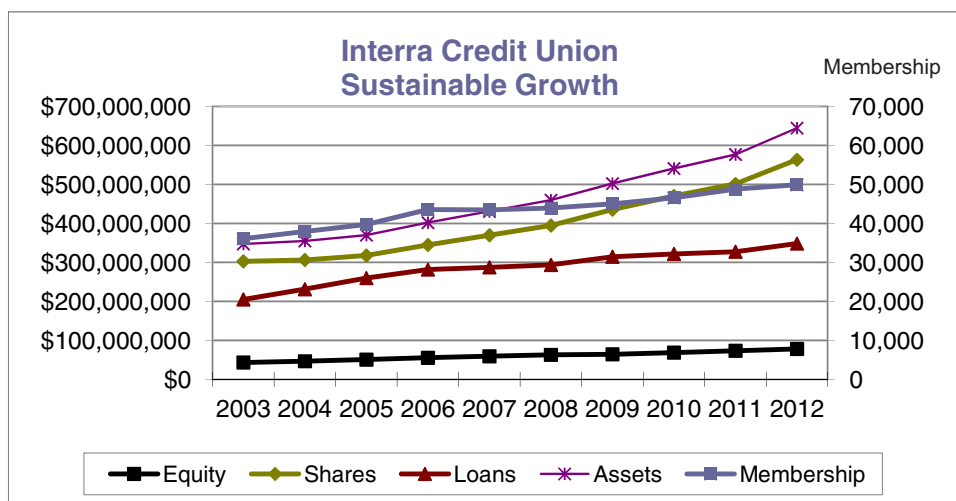
Committed to Excellence

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 offering solutions that will improve your financial life.
- delivering accuracy in all of our work.

| | 2012 | 2011 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and Investments | \$ 259,284,082 | \$ 221,239,867 |
| Loans, net | 348,345,716 | 327,411,213 |
| Property & Equipment | 18,679,335 | 18,369,611 |
| Other Assets | 18,109,941 | 9,770,131 |
| Total Assets | \$ 644,419,074 | \$ 576,790,822 |
| Liabilities & Members' Equity | | |
| Liabilities | | |
| Share Accounts | \$ 563,328,021 | \$ 501,247,161 |
| Other Liabilities | 2,846,573 | 1,982,203 |
| Total Liabilities | 566,174,594 | 503,229,364 |
| Members' Equity | 78,244,480 | 73,561,458 |
| Total Liabilities & Equity | \$ 644,419,074 | \$ 576,790,822 |

Equity • Shares • Loans • Assets • Membership



Interra Credit Union's Financial History

| 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 | 160,603,903 | 22,543,035 |
| 2000 | 210,230,940 | 163,563,506 | 244,752,408 | 33,954,117 |
| 2005 | 317,688,468 | 259,857,319 | 370,000,738 | 50,845,212 |
| 2010 | 470,273,201 | 321,752,983 | 540,898,088 | 68,709,777 |
| 2011 | 501,247,161 | 327,411,213 | 576,790,822 | 73,561,458 |
| 2012 | 563,328,021 | 348,345,716 | 644,419,074 | 78,244,480 |