Centra Credit Union
Annual Report 2013

ANYWHERE ANYTIME



CENTRA CREDIT UNION

Centered around you.

President's & Chairman's Report

Member value. Financial solutions. World class service. Centra's mission is centered around our members and centered around improving their lives. We achieve these goals through market-leading rates, low fees, new services, improved technology and convenience, and friendly, genuinely concerned employees who provide consultation for our members.

We know our members are busy. That's why Centra provides Anywhere, Anytime banking with options of ATMs, online, mobile, tablet, and phone. We're high touch when you need it, high tech when you want it.

Strong financial performance for the organization is also part of bringing value to our members. Keeping Centra strong keeps Centra in a position to be able to continue serving our members' financial needs long into the future.

In 2013, Centra achieved solid growth and performance:

- 10.0% loan growth
- 4.9% total asset growth
- 4.8% deposit growth
- 10.8% capital
- .79% return on assets
- $9.3 million net income

All of these statistics reflect Centra members' usage of the wide range of financial products and services that can help them achieve their financial goals. They reflect many member stories of how Centra saved them money, how Centra had their best interests at heart, and how Centra provided better value than they could get elsewhere.

We would like to extend our sincere appreciation to you, our members, for allowing Centra to make a difference in your life. Thank you for your support that has led to the strong financial performance and growth outlined in this report.

Doug Harris
President

Alan Degner
Chairman

Doug Harris
President

Alan Degner
Chairman

Treasurer's Report

Brian McBroom
Treasurer

Centra Credit Union continued to grow, and the organization's financial performance during 2013 remained quite strong. Total assets grew 4.9% over year-end 2012 figures, to $1.2 billion, maintaining Centra's ranking as the third largest credit union in Indiana.

Loan growth in 2013 was most notable at 10.0% over year-end 2012 balances. Centra's loan portfolio climbed to $643.0 million, up from $584.6 million in December 2012. Indirect auto loans (auto loans made at one of our partner auto dealerships) accounted for 39% of our total loan growth, with first mortgage loans following closely behind at 37% of the total loan growth. This outstanding loan growth is one indicator of the extent to which Centra was able to help our members reach their financial dreams.

Total deposit balances increased by 4.8% in 2013 to $1.0 billion. Deposit growth keeps Centra in a strong liquidity position to continue growing loans in future years.

Centra's net income was $9.3 million for 2013, with Return on Assets of .79% and a capital ratio of 10.8%. The capital ratio is an excellent indicator of Centra's financial strength, particularly when compared with the 7.0% ratio required to be classified as a well-capitalized institution.

Centra also maintained its 5-Star Bauer credit rating for the 74th consecutive quarter – 18 consecutive years. Bauer Financial, Inc. is the nation's leading independent financial services rating firm. A 5-Star rating is their highest classification and is based on the financial condition of the credit union, indicating that Centra remains among the strongest financial institutions in the country. By maintaining this rating for more than 10 consecutive years, Centra retained its distinction of being an "Exceptional Performance Credit Union."

Brian K. McBroom
Treasurer

	2013	2012	% Change
Total Assets	$1.2 billion	$1.1 billion	4.9%
Total Deposits	$1.0 billion	$965.5 million	4.8%
Total Loans	$643.0 million	$584.6 million	10.0%
Auto Loans	$227.6 million	$201.9 million	12.8%
First Mortgages	$225.3 million	$202.2 million	11.4%

Board of Directors

Alan Degner
Chairman

Thomas P. Kieffer
Vice Chairman

James R. Johnson
Secretary

Brian McBroom
Treasurer

Loretta M. Burd

Amber Fischvogt

Mary Stroh

Supervisory Committee

David Shinkle
Chairman

Stephen Stringer

Shirley A. Kreutzjans

Cheryl Buffo

Senior Management

Doug Harris
President

Patty Knorr
Chief Operations Officer

Christopher Bottorff
Southern Indiana Region President

Brad Davis
Chief Sales and Marketing Officer

Norb Adrian
Chief Systems Officer

Brett Vanderkolk
Chief Financial Officer

Making banking easier

Doug Harris

Centra began 2013 with a changing of the guard. Doug Harris took the reins from retiring CEO Loretta Burd after her 47-year career with Centra. Doug had already been part of the Centra team for 12 years, initially as Chief Financial Officer and Executive Vice President before being named President. Active in the credit union community, Doug serves as Vice President of the Credit Union Centers Board of Directors. CU Centers is the organization that oversees the shared branching network which provides more than 5,000 nationwide branch locations for Centra and other credit union members to use. He also serves on the Indiana Credit Union League Governmental Affairs Committee, and locally, on the kidscommons Board of Directors.

Under Harris' leadership, Centra continued to demonstrate strong financial performance and enhanced the value provided to members. In terms of added services, members can now take advantage of:

- **A revamped suite of checking account options.** Centra added a high interest account, which pays up to 4.00% interest, as well as an updated rewards program including a cash-back option, and a student account with no Centra fee on any ATM transactions – no matter what ATM is used.
- **Anywhere, Anytime convenience.** You've had the convenience of banking with your mobile device, but now there's an app for tablets, too. Wherever you are, if you have your smartphone or tablet, you can manage your banking with Centra.
- **Identity theft protection.** Identity theft across the U.S. is a growing trend, with a new victim added every 2.5 seconds on average. Centra now offers Fraud Defender to help its members protect themselves against this disruption, providing increased peace of mind. Coverage is even included free with some of Centra's new checking account options.

Making banking easier

Centra's Corporate Office Building

- **An interest-only Home Equity Line of Credit.** This product adds flexibility to an already great product. Now members need pay only the interest on their Home Equity loan until they are ready to pay off the entire balance. It's a great way to take care of those needed projects or achieve long-term goals.
- **SpotPay credit card payments for small businesses.** Businesses can increase their revenue and lower their costs while improving or enhancing convenience for their customers.

Additional benefits realized in 2013:

- **The purchase of Centra's Corporate Office Building.** Centra was in the enviable position of growing so rapidly that the organization was occupying all available office space. This new facility enabled the placement of corporate and other administrative offices together in one location, facilitating increased efficiency and future growth possibilities.
- **Development of the Centra Foundation.** Though the Centra Foundation was established in 2012, it truly expanded its identity in 2013. Centra's first Foundation President, Lyn Morgan, was hired, and the Foundation began making grants within the communities where Centra members and employees live and work. One of its most notable programs, the Holiday Giving Project, raised more than $14,000 to provide 170 less fortunate children with happier holidays.

With one concern in mind – YOU, our members – Centra continues to enhance your Anywhere, Anytime banking convenience with new technology, new services, and our ongoing dedication to providing World Class Service.

Providing value that adds up

How does Centra provide value to members? Let us count the ways! We start with market-leading savings rates, low loan rates, and low fees. Then we add in a wide variety of products and services that are completely free. Sounds like a good formula, doesn't it? But exactly how much does Centra save members over the course of a year? We've got the number…and it's big! In 2013, Centra members saved $11.7 million over what they would have paid had they been using banks in our communities.

An industry study conducted in 2012 by the Credit Union National Association (CUNA) showed that credit unions saved their members approximately $5.8 billion annually in rates and fees as compared to what banks across the country would have charged for the same products and services. So Centra has used a similar methodology, and taking our own rates and fees compared with the rates and fees of banks in our local market areas, we have calculated the savings for active Centra members.

$11.7 million savings over banks

The $11.7 million includes $5.5 million saved or gained in lower loan rates and higher deposit rates, and $6.2 million in lower fees. That's $181.35 of direct benefit per active household, retained by you instead of being paid to a bank. Quite a savings!

"We are committed to bringing our members the best financial value, to saving them money, and to improving members' lives through financial solutions that work," said Doug Harris, Centra President.

How much can YOU save at Centra?

AUTO LOANS	$927,000
HOME LOANS	$174,000
HOME EQUITY LOANS	$181,000
CREDIT CARDS	$130,000
SAVINGS	$290,000
MONEY MARKET SAVINGS	$846,000
CERTIFICATES & IRAs	$2,952,000
TOTAL ANNUAL DEPOSIT & LOAN INTEREST SAVINGS	$5,500,000
TOTAL ANNUAL FEE SAVINGS	$6,207,000
GRAND TOTAL SAVINGS	$11,707,000
BENEFIT PER ACTIVE HOUSEHOLD	$181.35

2013

Delivering online

TOTAL WEBSITE VISITS	**2,970,589**
AVERAGE PAGES PER VISIT	**4.7**
CITIES FROM INDIANA WITH AT LEAST ONE VISIT	**301**
UNIQUE VISITORS TO CENTRA.ORG	**630,879**

You might be familiar with the Centra website for some obvious reasons, like learning more about our accounts, products and services, finding out where we're located, getting our current interest rates or even doing your banking online. What you might not know are all the other things YOU CAN do from our website:

- Apply for a loan
- Shop for a car – CarQuotes
- Get a free Loan Check-Up
- Purchase a certificate or IRA
- Gain financial information from Consumer U
- Switch your account to Centra
- Get identity theft protection
- Use Popmoney to pay your friends electronically
- Manage your credit card account
- Redeem your rewards points
- Re-order checks
- Find online security tips
- Read the Centra newsletters
- Manage your debt with SavvyMoney
- Use financial calculators
- Make a loan payment
- Get a free credit report
- Learn about member discounts – Invest in America
- Donate to the Centra Foundation
- Find out about Centra's community involvement
- Apply for a Centra scholarship

Go to **Centra.org** today and see for yourself what a tremendous resource our website is!

2013

Banking at your fingertips

TOTAL ONLINE TRANSACTIONS AND INQUIRIES	**19,303,112**
TOTAL BILL PAYMENTS	**374,948**
ELERT NOTIFICATIONS SENT	**613,813**
% ONLINE BANKING MEMBERS USING MOBILE BANKING	**21.8%**

What would we do without our computers, tablets, and mobile phones? It's hard to imagine a world that's not electronic and digital, so we know we need to put banking at your fingertips, too. You can use all your favorite electronic devices to do your Centra banking... Anywhere, Anytime. Transfer funds, even from one person to another. Check balances. View cleared checks. Schedule eLerts. Pay your bills. View your statement. Find the nearest ATM location. Accessing your accounts has never been easier!

Use mobile browser banking, our mobile banking app, text banking, and eLert banking to handle transactions, monitor your account and more. All 24/7. And all fast, secure, and designed to fit your busy lifestyle. Sign up for online and mobile banking today!

2013

Banking your way

CALL CENTER CALLS ANSWERED	**253,320**
CENTRAPHONE BANK-BY-PHONE CALLS MADE	**934,944**
MONEY SPENT USING DEBIT CARDS BY ALL MEMBERS	**$506, 221,697**

Anywhere, Anytime – now that's the idea of convenience! Centra offers so many choices…so many ways to do your banking when – and where – you want to. In person? We offer you 5,206 branch locations to use. Some even have evening and Sunday hours. Plus 29,206 free ATMs. Online? Just visit Centra.org. Mobile? Download the Centra app. Phone? Use our automated bank-by-phone service or give us a call. Need updates on your account? They're just an email or text away.

There are many other ways to save time and money as well. Pay your bills online with Centra's BillPayer. Use Popmoney to pay anyone – not just your bills – electronically. Save paper by receiving eStatements. Use Direct Deposit and stop worrying about having to get to the Credit Union to deposit a check. Shop online for a car. Apply online at **Centra.org** for a loan. Use Centra as your convenient one-stop financial shopping resource!

2013

Moving from dreams to reality

TOTAL AUTO LOAN PORTFOLIO	$227,621,949
2013 AUTO LOAN GROWTH	12.8%
TOTAL HOME EQUITY PORTFOLIO	$62,225,264
2013 HOME EQUITY LOAN GROWTH	5.6%

Dreams are the beginning points of changes. A new car. New kitchen appliances and countertops. A sunny vacation in the Caribbean. A place to relax outdoors with a new deck and landscaping. College education for your children – or yourself. All of these start as dreams, but can become reality with Centra's help.

Centra has loan options to fit just about every need. And our loan specialists can help you choose the best solutions for your lifestyle and budget. We can also take a look at the loans you have to make sure you've gotten the best deal you can get. With Centra's free Loan Check-Up, we'll let you know if we can save you money with a lower rate or payment. And if we can't, we'll tell you that, too. It's all about value for you!

You can apply for a loan Anywhere, Anytime – it's easy. Apply in person, online at **Centra.org**, on your mobile device, or by phone at 800-232-3642. Turn your dreams into reality!

2013

Turning a house into a home

MORTGAGE LOAN ORIGINATIONS	$99,843,524
MORTGAGE PORTFOLIO GROWTH	11.4%
TOTAL MORTGAGE PORTFOLIO UNDER MANAGEMENT	$366,017,665
MORTGAGE LOANS UNDER MANAGEMENT	4,074

Buying a home is one of the biggest purchases most people ever make. It's full of dreaming, but also full of details. Centra's mortgage loan specialists can lead you through the home buying experience and help simplify the process. We can also provide free pre-approvals so you'll know how much you can afford and house-hunt with confidence.

If you already have the home you want, you may want to periodically compare mortgage rates. With rates still near historic lows, it may not be too late to save money through refinancing. Our mortgage specialists can do the calculations for you to determine if we can provide you with a better solution.

Knowing that Centra provided nearly $100 million in new mortgage loans during 2013 should give you the peace of mind that our mortgage loan specialists know the business. Add Centra's great rates, local decision-making and personal approach, and you can be assured we'll take great care of you.

Stop in any Centra location, apply online at **Centra.org**, or call us at 800-232-3642 and ask to speak with a mortgage loan specialist.

2013

Banking on local business success

TOTAL LOAN PORTFOLIO	$79,353,149
NEW LOAN COMMITMENTS	$25,278,439
AVERAGE LOAN SIZE	$230,009
BUSINESS DEPOSIT BALANCE GROWTH	38.1%

You want your business to grow. So do we. You need a business partner that is responsive and knowledgeable. And you deserve local decision makers who can react quickly, so you can get more done. That's Centra!

Centra's Commercial Banking team gets to know your business, so we can help you achieve your financial goals and make your business a success. Whether you need a loan to build or expand, or you need deposit and convenience services, Centra can assist you. Our business decisions are made locally, so our solutions are designed with your needs in mind.

Throughout 2013, Centra originated $25.3 million in new loan commitments to businesses in our communities. At year-end, Centra held $79.4 million in commercial loan balances. Every day, Centra is helping local businesses to expand and grow.

Stop by our Business Services Centers at 1430 National Road in Columbus or 2125 Veterans Parkway in Jeffersonville, visit any Centra branch, check out our website at **Centra.org** or call us at 800-232-3642.

2013

Checking options to fit

NEW CHECKING ACCOUNTS OPENED	**7,412**
TOTAL CHECKING ACCOUNTS	**64,650**
DEBIT CARD TRANSACTIONS	**13,952,614**
CHECKS CLEARED	**2,197,549**

High interest. Rewards points. Free ATM transactions. And a just plain free account. There's a Centra checking account to fit every lifestyle. Some accounts come with additional perks like identity theft protection, loan discounts, and online retail discounts. With Centra convenience, you can access your checking account Anywhere, Anytime with 24/7 online, mobile, and telephone banking, as well as a network of 29,206 free ATMs across the country.

You win by customizing your checking solution to fit your needs. And you can maximize your value with free benefits like a MasterCard® debit card, Direct Deposit, online bill payment, eStatements, online check images, email and text alerts, overdraft protection options and more. We'll even take away the hassle of switching your account from another institution!

Join the nearly 65,000 members who already have a Centra checking account. Sign up for Centra checking at the nearest Centra location, online at **Centra.org**, or by calling 812-232-3642.

2013

Investing in your future

ASSETS UNDER MANAGEMENT	$90,594,180
INSURANCE PREMIUMS COLLECTED	$2,745,661
ANNUAL REVENUES	$1,155,504
NET INCOME	$462,474

Everyone has goals. You have plans and dreams of what you'd like your future to hold. Centra Financial Services can help with your long-term financial planning goals like planning for retirement, saving for college, buying a vacation home, and enjoying life after retirement. Our experienced Financial Advisors can help you achieve these goals through consultative guidance and wise investing. Family planning of wealth transfer and proper beneficiary designations are key elements of the service we provide.

We will also make sure your family is adequately insured. Our review includes home, auto, life, health, disability and long-term care insurance, and we'll make sure you're not only protected properly for your individual or family situation, but that you're also getting the best value.

Stop by any Centra branch, our Centra Financial Services offices at 1430 National Road or 2165 Jonathan Moore Pike in Columbus or 700 Pillsbury Lane in New Albany, visit online at **Centra.org/invest-and-insure**, or call us at 800-232-3642, extension 0349.

2013

Making a difference

TOTAL GRANTS AWARDED	$37,991
INDIVIDUAL DONORS	632
SCHOLARSHIPS AND AWARDS	$5,000
LARGEST ANNUAL GRANT PAID	$17,000 Given to Columbus Parks Foundation for the People Trails

Centra Foundation is the charitable arm of Centra Credit Union and was formed to extend the Credit Union mission of People Helping People. The Foundation is Centered on Caring and is dedicated to a philosophy of caring for people and the communities in which they live. The Foundation provides grants to qualified not-for-profit organizations that address financial literacy, disaster relief and/or pressing community needs in the communities where Centra members and employees live and work. It also provides scholarships and various awards through its Loretta M. Burd Scholarship and Awards Program. These include scholarships to graduating high school students, as well as scholarships to adults entering or resuming college.

During 2013, some of the grants awarded include donations to the People Trails and Lemonade Day in Columbus, the Lifeworks Field of Dreams Playground in Scottsburg, and the Clark County Youth Shelter in Clarksville. The Centra Foundation also organized its first Holiday Giving Program, which provided more than $14,000 to help 170 less fortunate children enjoy the holidays.

Together we can make a difference! For additional information about the Centra Foundation, contact Lyn Morgan, Centra Foundation President, lmorgan@centra.org, call 812-314-0285, or visit **Centrafoundation.org**.

2013

Serving you nearby

CENTRA BRANCH LOCATIONS	**21**
CO-OP SHARED BRANCH LOCATIONS	**5,206**
FREE ATMS IN CO-OP NETWORK	**29,206**
SMILING FACES	**277**

Even with all of the 24/7 convenience provided by Centra, sometimes you just want to come inside and talk with our friendly staff. Sometimes it makes more sense to do your banking in person. For those times, Centra has 19 locations throughout central and southern Indiana, as well as two locations in New York and North Carolina. Plus, we provide you with 5,206 additional CO-OP Shared Branches throughout the country that you can use just as if you were in a Centra location. So whether you're at work, away from home on business, or in your favorite vacation spot, a Credit Union location is probably nearby. Just go to **Centra.org** to find a location near you.

Centra also has 31 ATMs in Indiana. And just like the branch network, Centra participates in the CO-OP ATM Network, which provides 29,206 free ATMs across the United States for your use. Find all our ATM locations at **Centra.org**. How's that for Anywhere, Anytime?

Independent Accountant's Report

To the Supervisory Committee and
Board of Directors
Centra Credit Union
Columbus, Indiana

We have audited the accompanying consolidated financial statements of Centra Credit Union and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity capital and cash flows for the years 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centra Credit Union and its subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Indianapolis, Indiana
March 10, 2014

Consolidated Balance Sheets

December 31, 2013 and 2012

Assets

	2013	2012
Cash and due from banks	$ 13,240,024	$ 11,643,751
Interest-bearing demand deposits	132,317,644	186,543,892
Cash and cash equivalents	145,557,668	198,187,643
Interest-bearing time deposits	8,522,410	8,181,860
Investment securities		
Available-for-sale	255,096,687	246,840,994
Held-to-maturity (fair value of $95,057,000 and $51,941,000 at December 31, 2013 and 2012)	95,348,414	51,027,841
Total investment securities	350,445,101	297,868,835
Loans held for sale	540,100	3,134,175
Loans, net of allowance for loan losses of $8,056,000 and $8,159,000 at December 31, 2013 and 2012	642,962,187	584,563,011
Premises and equipment	16,455,743	15,119,818
Federal Home Loan Bank stock	2,856,200	2,516,800
National Credit Union Share Insurance Fund deposit	9,615,459	8,826,017
Other assets	9,658,847	12,267,085
Total assets	$ 1,186,613,715	$ 1,130,665,244

Liabilities

Members' deposits	$ 1,011,994,507	$ 965,487,204
FHLB advances	41,000,000	40,000,000
Other liabilities	4,062,402	3,790,220
Total liabilities	1,057,056,909	1,009,277,424

Equity Capital

Retained earnings	127,747,925	118,434,545
Accumulated other comprehensive income	1,808,881	2,953,275
Total equity capital	129,556,806	121,387,820
Total liabilities and equity capital	$ 1,186,613,715	$ 1,130,665,244

See notes to Consolidated Financial Statements.

Consolidated Statements of Income

December 31, 2013 and 2012

	2013	2012
Interest Income		
Loans receivable	$ 25,766,421	$ 27,400,413
Investment securities	3,770,555	3,915,809
Interest-bearing deposits	422,983	372,876
	29,959,959	31,689,098
Interest Expense		
Deposits	7,811,146	8,792,513
FHLB advances	1,672,171	1,622,797
	9,483,317	10,415,310
Net Interest Income	20,476,642	21,273,788
Provision for loan losses	2,815,000	3,020,000
Net Interest Income After Provision for Loan Losses	17,661,642	18,253,788
Other Income		
Service charges on deposit accounts and other member fees	11,720,976	11,813,396
Insurance commissions	808,519	645,327
Interchange income	6,362,686	5,739,249
Gain on loan sales	932,394	1,430,415
Other income	595,770	513,041
	20,420,345	20,141,428
Other Expenses		
Salaries and employee benefits	11,996,352	11,584,341
Office occupancy expense	2,416,945	2,292,769
Office operations expense	4,501,044	4,177,294
Advertising and promotion expense	872,233	817,285
Loan-servicing expense	2,952,238	2,820,046
Third-party service expense	3,641,279	3,571,399
NCUSIF share insurance expense	769,237	838,472
Loss on other assets	58,378	1,485,747
Indiana franchise tax	522,137	354,665
Other expenses	1,038,764	830,625
	28,768,607	28,772,643
Net Income	$ 9,313,380	$ 9,622,573

See notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

December 31, 2013 and 2012

	2013	2012
Net Income	$ 9,313,380	$ 9,622,573
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities	(1,144,394)	180,284
Comprehensive Income	$ 8,168,986	$ 9,802,857

See notes to Consolidated Financial Statements.

Consolidated Statements of Equity Capital

December 31, 2013 and 2012

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income	Total
Balances, January 1, 2012	$ 34,302,897	$ 74,509,075	$ 2,772,991	$ 111,584,963
Net income		9,622,573		9,622,573
Other comprehensive income			180,284	180,284
Regulatory transfers, net	4,400,350	(4,400,350)		-
Balances, December 31, 2012	38,703,247	79,731,298	2,953,275	121,387,820
Net income		9,313,380		9,313,380
Other comprehensive loss			(1,144,394)	(1,144,394)
Regulatory transfers, net	3,110,162	(3,110,162)		-
Balances, December 31, 2013	$ 41,813,409	$ 85,934,516	$ 1,808,881	$ 129,556,806

See notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

December 31, 2013 and 2012

	2013	2012
Operating Activities		
Net income	$ 9,313,380	$ 9,622,573
Items not requiring (providing) cash		
Provision for loan losses	2,815,000	3,020,000
Depreciation	1,388,313	1,234,383
Amortization of deferred loan fees and costs	2,727,349	2,279,117
Premium amortization (discount accretion) on investment securities, net	3,821,069	3,817,887
Gains on sales of loans	(932,394)	(1,430,415)
Loss on other assets	60,134	1,683,048
Change in		
Loans held-for-sale	2,594,075	(1,304,625)
Other assets	2,077,375	(1,452,342)
Other liabilities	285,608	657,949
Net cash provided by operating activities	24,149,909	18,127,575
Investing Activities		
Net change in interest-bearing time deposits	(340,550)	(1,235,869)
Purchases of securities available-for-sale	(82,237,033)	(142,712,888)
Proceeds from maturities, calls and paydowns of securities available-for-sale	69,834,485	86,974,137
Purchases of securities held-to-maturity	(76,784,269)	(12,632,148)
Proceeds from maturities, calls and paydowns of securities held-to-maturity	31,645,088	27,510,484
Net change in loans	(62,536,646)	(42,509,213)
Purchases of premises and equipment	(2,725,994)	(1,660,103)
Purchase of Federal Home Loan Bank stock	(339,400)	(235,700)
Net change in National Credit Union Share Insurance fund deposit	(789,442)	(995,959)
Net cash used in investing activities	(124,273,761)	(87,497,259)
Financing Activities		
Net change in		
Share checking, money market shares and regular shares	46,365,788	99,942,449
Certificates	128,089	31,323,249
Proceeds from FHLB advances	1,000,000	3,000,000
Net cash provided by financing activities	47,493,877	134,265,698
Net Change in Cash and Cash Equivalents	(52,629,975)	64,896,014
Cash and Cash Equivalents, Beginning of Year	198,187,643	133,291,629
Cash and Cash Equivalents, End of Year	$ 145,557,668	$ 198,187,643
Additional Cash Flows Information		
Interest paid	$ 9,487,791	$ 10,419,382
Transfer of loans to other real estate owned	472,485	1,213,189

See notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The accounting and reporting policies of Centra Credit Union (Credit Union) and its wholly owned subsidiary, Centra Financial Services, LLC (CFS), conform to accounting principles generally accepted in the United States of America and reporting practices followed by the credit union industry. The more significant of the policies are described below.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

The Credit Union is headquartered in Columbus, Indiana, and branches are located throughout central and southern Indiana; Jamestown, New York; and Whitakers, North Carolina. As a state-chartered, federally insured credit union, the Credit Union is subject to the regulation of the Indiana Department of Financial Institutions, National Credit Union Administration and the National Credit Union Share Insurance Fund. The Credit Union grants consumer loans including credit card, lease-like loans and open-end credit, mortgage loans and business loans to its members. The Credit Union's membership criteria is designed to include a well-diversified membership base. The majority of its loans are secured by collateral including members' shares, real property and other consumer assets. CFS provides insurance and brokerage services to Credit Union members and others.

Consolidation - The consolidated financial statements include the accounts of the Credit Union and CFS after elimination of all material intercompany transactions.

Cash and Cash Equivalents - The Credit Union considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2013 and 2012 consist of overnight deposits.

At December 31, 2013, the Credit Union's cash accounts due from banks exceeded federally insured limits by approximately $602,000 and the Credit Union has approximately $1,463,000 on deposit with the Federal Home Loan Bank - Indianapolis, which are not FDIC-insured. In addition, the Credit Union has approximately $125,181,000 on deposit with the Federal Reserve. While the Federal Reserve is not FDIC-insured, these deposits are implicitly guaranteed by the United States Government.

Investment Securities - Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

For debt securities with fair value below amortized cost when the Credit Union does not intend to sell a debt security, and it is more likely than not the Credit Union will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Loans - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Credit Union's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except residential and consumer loans, the Credit Union promptly charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Credit Union charges off residential and consumer loans, or portions thereof, when the Credit Union reasonably determines the amount of the loss. The Credit Union adheres to timeframes established by applicable regulatory guidance, which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value, less costs to sell when the loan is 90 days past due, charge-off of unsecured open-end loans when the loan is 90 days past due, and charge-down to the net realizable value when other secured loans are 90 days past due. Loans at these respective delinquency thresholds for which the Credit Union can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Credit Union requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Credit Union records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

Allowance for Loan Losses - The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical charge-off experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Credit Union over the prior three years. Management believes the three year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for nonhomogenous type loans such as commercial, nonowner residential and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For impaired loans where the Credit Union utilizes the discounted cash flows to determine the level of impairment, the Credit Union includes the entire change in the present value of cash flows as bad debt expense.

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. In general, the Credit Union acquires an updated appraisal upon identification of impairment and annually thereafter for commercial, commercial real estate and multi-family loans. If the most recent appraisal is over a year old, and a new appraisal is not performed due to lack of comparable values or other reasons, the existing appraisal is utilized and discounted based on the age of the appraisal, condition of the subject property and overall economic conditions. After determining the collateral value as described, the fair value is calculated based on the determined collateral value, less selling expenses. The potential for outdated appraisal values is considered in the determination of the allowance for loan losses through analysis of various trends and conditions including the local economy, trends in charge-offs and delinquencies, etc. and the related qualitative adjustments assigned by the Credit Union.

Segments of loans with similar risk characteristics are collectively evaluated for impairment based on the segment's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Credit Union does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

In the course of working with borrowers, the Credit Union may choose to restructure the contractual terms of certain loans. In this scenario, the Credit Union attempts to work-out an alternative payment schedule with the borrower in order to optimize collectability of the loan. Any loans that are modified are reviewed by the Credit Union to identify if a troubled debt restructuring ("TDR") has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Credit Union grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status, and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms, or a combination of the two. If such efforts by the Credit Union do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Credit Union may terminate foreclosure proceedings if the borrower is able to work-out a satisfactory payment plan.

It is the Credit Union's policy that any restructured loans on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance at which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Credit Union reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

With regard to determination of the amount of the allowance for credit losses, trouble debt restructured loans are considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings is the same as detailed previously.

Premises and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Required Investments - Federal Home Loan Bank stock and membership shares in corporate credit unions are required investments for credit unions that are members of those institutions. The required investment in each institution is based on a predetermined formula.

National Credit Union Share Insurance Fund deposit is required in an amount equal to one percent of the Credit Union's total insured shares. This noninterest-earning deposit is intended to provide insurance coverage on savings deposits.

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale securities.

Retained earnings includes a regular reserve, which is a regulatory restriction of retained earnings and is not available for the payment of interest.

Reclassifications - Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on net income.

Note 2: Restriction on Cash and Due From Banks

The Credit Union is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2013 was $8,319,000.

Note 3: Investment Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of investment securities is as follows:

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Federal agencies	$ 165,427	$ 359	$ (15)	$ 165,771
Small business administration (SBA) securities	6,471	202	-	6,673
NCUA guaranteed notes	7,860	20	-	7,880
Mortgage-backed securities - government-sponsored enterprises (GSE) residential	73,530	1,397	(154)	74,773
Total available-for-sale	253,288	1,978	(169)	255,097
Held-to-maturity				
Mortgage-backed securities - GSE residential	95,348	802	(1,093)	95,057
Total investment securities	$ 348,636	$ 2,780	$ (1,262)	$ 350,154

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Federal agencies	$ 133,535	$ 501	$ (16)	$ 134,020
Small business administration (SBA) securities	8,832	235	-	9,067
NCUA guaranteed notes	9,713	79	-	9,792
Mortgage-backed securities - GSE residential	91,807	2,238	(83)	93,962
Total available-for-sale	243,887	3,053	(99)	246,841
Held-to-maturity				
Mortgage-backed securities - GSE residential	51,028	966	(53)	51,941
Total investment securities	$ 294,915	$ 4,019	$ (152)	$ 298,782

The amortized cost and fair value of securities available-for-sale and held-to-maturity at December 31, 2013, by contractual maturity, are shown in the following table. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 115,286	$ 115,404	$ -	$ -
One to five years	61,301	61,743	-	-
Five to ten years	3,171	3,177	-	-
	179,758	180,324	-	-
Mortgage-backed securities - GSE residential	73,530	74,773	95,348	95,057
Totals	$ 253,288	$ 255,097	$ 95,348	$ 95,057

Certain investments in debt securities have a fair value at an amount less than their historical cost. Total fair value of these investments at December 31, 2013 and 2012 was $82,461,000 and $56,553,000, which is approximately 23.5% and 19.0% of the Credit Union's available-for-sale and held-to-maturity investment portfolio. Unrealized losses within the investment portfolio are temporary, as they are a result of market changes rather than a reflection on credit quality.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income or other comprehensive income in the period the other-than-temporary impairment is identified.

The following tables show the Credit Union's investments' gross unrealized losses and fair value of the Credit Union's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2013 and 2012:

	2013					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities:						
Federal agencies	$ -	$ -	$ 4,985	$ (15)	$ 4,985	$ (15)
Mortgage-backed securities - GSE residential	14,468	(67)	15,968	(87)	30,436	(154)
Total temporarily impaired securities	$ 14,468	$ (67)	$ 20,953	$ (102)	$ 35,421	$ (169)

	2013					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-maturity securities:						
Mortgage-backed securities - GSE residential	$ 47,040	$ (1,093)	$ -	$ -	$ 47,040	$ (1,093)

Description of Securities	2012 Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
Available-for-sale securities:						
Federal agencies	$ 27,513	$ (16)	$ -	$ -	$ 27,513	$ (16)
Mortgage-backed securities - GSE residential	20,328	(83)	-	-	20,328	(83)
Total temporarily impaired securities	$ 47,841	$ (99)	$ -	$ -	$ 47,841	$ (99)

Description of Securities	2012 Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
Held-to-maturity securities:						
Mortgage-backed securities - GSE residential	$ 4,832	$ (46)	$ 3,880	$ (7)	$ 8,712	$ (53)

Federal Agencies

The unrealized losses on the Credit Union's investments in direct obligations of U.S. Government agencies were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Credit Union does not intend to sell the investments and it is not more likely than not the Credit Union will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Credit Union does not consider those investments to be other-than-temporarily impaired at December 31, 2013 and 2012.

Mortgage-Backed Securities - GSE Residential

The unrealized losses on the Credit Union's investment in residential mortgage-backed securities were caused by interest rate changes. The Credit Union expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Credit Union does not intend to sell the investments and it is not more likely than not the Credit Union will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Credit Union does not consider those investments to be other-than-temporarily impaired at December 31, 2013 and 2012.

Note 4: Loans and Allowance for Loan Losses

Loans at year end are comprised of the following:

	2013	2012
Loans		
Commercial	$ 79,353	$ 74,722
Secured by automobiles	227,622	201,850
First mortgage	225,273	202,202
Home equity	62,225	58,911
Other consumer	52,002	51,334
	646,475	589,019
Deferred loan costs, net	4,543	3,703
Allowance for loan losses	(8,056)	(8,159)
	$ 642,962	$ 584,563

The following presents, by portfolio class, the activity in the allowance for loan losses for the years ended December 31, 2013 and 2012:

2013	Commercial	Automobile	First Mortgage	Home Equity	Other Consumer	Total
Beginning Balance	$ 3,781	$ 1,578	$ 1,600	$ 407	$ 793	$ 8,159
Provision	510	1,322	305	(28)	706	2,815
Loans charged off	(790)	(1,145)	(641)	(120)	(728)	(3,424)
Recoveries	-	340	3	16	147	506
Ending Balance	$ 3,501	$ 2,095	$ 1,267	$ 275	$ 918	$ 8,056

2012	Commercial	Automobile	First Mortgage	Home Equity	Other Consumer	Total
Beginning Balance	$ 3,455	$ 1,861	$ 578	$ 266	$ 1,043	$ 7,203
Provision	772	563	1,125	353	207	3,020
Loans charged off	(579)	(1,227)	(104)	(226)	(607)	(2,743)
Recoveries	133	381	1	14	150	679
Ending Balance	$ 3,781	$ 1,578	$ 1,600	$ 407	$ 793	$ 8,159

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio classes and impairment method as of December 31, 2013 and 2012:

	2013					
	Commercial	Automobile	First Mortgage	Home Equity	Other Consumer	Total
Allowance Balances:						
Individually evaluated for impairment	$ 2,877	$ -	$ -	$ -	$ -	$ 2,877
Collectively evaluated for impairment	624	2,095	1,267	275	918	5,179
Total allowance for loan losses	$ 3,501	$ 2,095	$ 1,267	$ 275	$ 918	$ 8,056
Loan Balances:						
Individually evaluated for impairment	$ 11,247	$ -	$ 711	$ -	$ -	$ 11,958
Collectively evaluated for impairment	68,106	227,622	224,562	62,225	52,002	634,517
Total loan balances	$ 79,353	$ 227,622	$ 225,273	$ 62,225	$ 52,002	$ 646,475

	2012					
	Commercial	Automobile	First Mortgage	Home Equity	Other Consumer	Total
Allowance Balances:						
Individually evaluated for impairment	$ 2,910	$ -	$ -	$ -	$ -	$ 2,910
Collectively evaluated for impairment	871	1,578	1,600	407	793	5,249
Total allowance for loan losses	$ 3,781	$ 1,578	$ 1,600	$ 407	$ 793	$ 8,159
Loan Balances:						
Individually evaluated for impairment	$ 9,252	$ -	$ 721	$ -	$ -	$ 9,973
Collectively evaluated for impairment	65,470	201,850	201,481	58,911	51,334	579,046
Total loan balances	$ 74,722	$ 201,850	$ 202,202	$ 58,911	$ 51,334	$ 589,019

The risk characteristics of each loan portfolio class are as follows:

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee.

Automobile loans are typically secured by the underlying automobile or recreational vehicle. First mortgage loans are typically secured by 1-4 family residences and are generally owner occupied. The Credit Union generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity and other consumer loans are typically secured by subordinate interests in 1-4 family residences and other personal assets. Some personal loans are unsecured and repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels, property values, etc.

Commercial loans are rated by credit quality using the following designations:

Risk Rating - 100 Excellent

These loans include:

1. Loans secured by highly liquid collateral (cash or cash equivalent) with sufficient margin to assure payment in full, including interest, at maturity.
2. Unsecured loans to high net worth individuals with supporting assets that are highly liquid.
3. Loans adequately secured by marketable collateral within established margin requirements.
4. Loans to very strong middle market or local borrowers that have a history of profitability, liquidity, and leverage ratios that are above industry averages. Probability of serious financial deterioration is unlikely.
5. Unsecured loans directly to or guaranteed by, high net worth individuals who have appropriate, liquid supporting assets. These loans have a strong reliable source of repayment. Borrower's business is in a strong industry and has an experienced, stable management team. Portions of loans may be secured by government guarantees, Farm Service Agency (FSA) or Small Business Administration (SBA), with correct documentation in compliance with guarantee.

Risk Rating - 200 Good

These loans are to middle market or local borrowers with average financial strength, but who have some minor deficiencies or vulnerability to changing economic or industry conditions. The borrower has adequate capital and fair profitability, liquidity and leverage ratios. Loans in this category may also be secured by collateral that lacks adequate margin or liquidity. Unsecured loans may also be directly to, or guaranteed by, identified sources of repayment. Management is experienced, relatively stable and has demonstrated the ability to manage the company.

Risk Rating - 300 Satisfactory

These loans are to borrowers of slightly below average or somewhat mediocre financial conditions, with some noted weaknesses. It is not anticipated that the borrower's financial condition will deteriorate over the term of the loan. Noted weaknesses are overcome by strength in other areas. These loans have adequate sources of repayment.

Risk Rating - 400 Special Mention (Watch Credit)

These loans may be fundamentally sound to borrowers who have trends or characteristics that render them particularly vulnerable to economic adversity (competition, market conditions or potential product obsolescence) or have a continued lack of proper credit administration by the loan officer (i.e. critical documentation exceptions or monitoring cash flow with financial data). These credits require more frequent monitoring in order to periodically assess their condition as a result of increased vulnerability.

Other characteristics could include:

1. A significant change in trends (ratios, earnings, borrowings, etc.) that may include adverse concerns.
2. Out of the ordinary repayment programs.
3. Deficient collateralization.
4. Questionable management.
5. An expected or actual significant change that <u>may</u> have a negative impact on the company.
6. Frequent change in accounting/CPA firms or management has recently changed and their capabilities are unknown.
7. As the Watch Credit classification is generally a transitory grade from/to satisfactory and substandard, credits will generally not remain as a Watch Credit for more than 1 - 2 years.

Risk Rating - 500 (Substandard)

These loans are considered inadequately protected by the current worth and repayment capacity of the borrower, or the value of collateral, if any. Such loans have well-defined weaknesses that could jeopardize liquidation of the loan. If such weaknesses are not corrected, it is likely that the lender will incur a loss. Examples of weaknesses inherent in such loans include:

1. The borrower's financial condition has deteriorated to the point that ultimate repayment of the loan may be in doubt. For example, cash is positive but inadequate to service the debt if liquidated.
2. There are cash flow deficiencies, which may jeopardize an orderly repayment of the loan, as specified in the note or loan agreement; this may also indicate an impaired loan classification.
3. The borrower is in bankruptcy or, for any other reason, repayment is dependent on court action.
4. The credit relationship has deteriorated to the point that the sale of collateral is the primary source of repayment, unless this was the original source of repayment when the loan was originated.

Risk Rating - 600 (Doubtful)

These loans exhibit weaknesses similar to substandard loan and require immediate action. The severity of such weaknesses makes collection or repayment in full highly questionable or improbable, based on existing facts, conditions and values. The probability of loss is high, but the ultimate loss exposure cannot be completely determined due to pending factors that may affect the loan. Such pending factors could include merger/liquidation, additional capital injection, perfection of liens on additional collateral and refinancing plans. These loans are generally on nonaccrual.

Risk Rating - 700 (Loss)

These loans are considered uncollectible, have little or no value and are on a nonaccrual basis. This rating does not mean that the loan has no recovery or salvage value. The loan can continue as long as recovery is regularly occurring. Once recovery ceases, the loan should be charged off.

Automobile, first mortgage, home equity and other consumer loans are not rated on the above-listed risk categories, but are classified by their payment activity, either as performing, delinquent less than 90 days or nonperforming.

The following tables present the credit risk profile of the Credit Union's loan portfolio based on internal rating category and payment activity as of December 31, 2013 and 2012:

	2013 Commercial
Grade:	
Pass (100 - 300)	$ 57,181
Special mention (400)	11,520
Substandard (500)	9,632
Doubtful (600)	764
Loss (700)	256
	$ 79,353

	2013				
	Automobile	First Mortgage	Home Equity	Other Consumer	Total
Performing	$ 222,980	$ 216,806	$ 60,963	$ 50,645	$ 551,394
Delinquent less than 90 days	4,374	7,194	1,148	1,237	13,953
Nonperforming	268	1,273	114	120	1,775
	$ 227,622	$ 225,273	$ 62,225	$ 52,002	$ 567,122
Total loans					$ 646,475

	2012 Commercial
Grade:	
Pass (100 - 300)	$ 55,771
Special mention (400)	8,321
Substandard (500)	8,505
Doubtful (600)	2,125
Loss (700)	-
	$ 74,722

	2012				
	Automobile	First Mortgage	Home Equity	Other Consumer	Total
Performing	$ 196,802	$ 197,143	$ 57,376	$ 49,836	$ 501,157
Delinquent less than 90 days	4,728	2,853	1,325	1,420	10,326
Nonperforming	320	2,206	210	78	2,814
	$ 201,850	$ 202,202	$ 58,911	$ 51,334	$ 514,297
Total loans					$ 589,019

The following tables present the Credit Union's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2013 and 2012:

	2013						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Loans > 90 Days and Accruing
Commercial	$ 1,563	$ 16	$ 593	$ 2,172	$ 77,181	$ 79,353	$ -
Automobile	4,083	291	268	4,642	222,980	227,622	-
First mortgage	3,929	3,265	1,273	8,467	216,806	225,273	-
Home equity	1,107	41	114	1,262	60,963	62,225	-
Other consumer	963	274	120	1,357	50,645	52,002	-
Total loans	$ 11,645	$ 3,887	$ 2,368	$ 17,900	$ 628,575	$ 646,475	$ -

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Loans > 90 Days and Accruing
Commercial	$ 120	$ 226	$ 1,754	$ 2,100	$ 72,622	$ 74,722	$ -
Automobile	4,539	189	320	5,048	196,802	201,850	-
First mortgage	2,690	163	2,206	5,059	197,143	202,202	-
Home equity	1,306	19	210	1,535	57,376	58,911	-
Other consumer	1,155	265	78	1,498	49,836	51,334	-
Total loans	$ 9,810	$ 862	$ 4,568	$ 15,240	$ 573,779	$ 589,019	$ -

The following tables present impaired loans for the years ended December 31, 2013 and 2012:

	2013				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Impaired loans without a specific valuation allowance:					
Commercial	$ 1,842	$ 1,842	$ -	$ 2,146	$ 97
Automobile	-	-	-	-	-
First mortgage	711	711	-	716	17
Home equity	-	-	-	-	-
Other consumer	-	-	-	-	-
Total impaired loans with no related specific reserve	$ 2,553	$ 2,553	$ -	$ 2,862	$ 114
Impaired loans with a specific valuation allowance:					
Commercial	$ 9,405	$ 9,405	$ 2,877	$ 9,308	$ 436
Automobile	-	-	-	-	-
First mortgage	-	-	-	-	-
Home equity	-	-	-	-	-
Other consumer	-	-	-	-	-
Total impaired loans with an allowance recorded	$ 9,405	$ 9,405	$ 2,877	$ 9,308	$ 436
Total impaired loans	$ 11,958	$ 11,958	$ 2,877	$ 12,170	$ 550

	2012				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Impaired loans without a specific valuation allowance:					
Commercial	$ 568	$ 568	$ -	$ 1,311	$ -
Automobile	-	-	-	4	-
First mortgage	721	721	-	541	13
Home equity	-	-	-	-	-
Other consumer	-	-	-	1	-
Total impaired loans with no related specific reserve	$ 1,289	$ 1,289	$ -	$ 1,857	$ 13
Impaired loans with a specific valuation allowance:					
Commercial	$ 8,684	$ 8,684	$ 2,910	$ 8,572	$ 479
Automobile	-	-	-	-	-
First mortgage	-	-	-	-	-
Home equity	-	-	-	-	-
Other consumer	-	-	-	-	-
Total impaired loans with an allowance recorded	$ 8,684	$ 8,684	$ 2,910	$ 8,572	$ 479
Total impaired loans	$ 9,973	$ 9,973	$ 2,910	$ 10,429	$ 492

The following table presents the Credit Union's nonaccrual loans at December 31, 2013 and 2012. This table excludes purchased impaired loans and performing troubled debt restructurings.

	2013	2012
Commercial	$ 593	$ 1,754
Automobile	268	320
First mortgage	1,273	2,206
Home equity	114	210
Other consumer	120	78
Total nonaccrual loans	$ 2,368	$ 4,568

At December 31, 2013 and 2012, the Credit Union had a number of loans that were modified in troubled debt restructurings and impaired. The modification of terms of such loans included one or a combination of the following: an extension of maturity, a reduction of the stated interest rate or a permanent reduction of the recorded investment in the loan.

The following tables present information regarding troubled debt restructurings by class for the years ended December 31, 2013 and 2012:

Newly classified troubled debt restructurings:

	2013		
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Commercial	1	$ 272	$ 251
Automobile	36	330	330
First mortgage	1	78	78
Other consumer	3	12	12
	41	$ 692	$ 671

	2012		
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance
Commercial	3	$ 772	$ 772
Automobile	29	380	380
First mortgage	1	139	137
Home equity	2	9	9
Other consumer	2	5	5
	37	$ 1,305	$ 1,303

Newly restructured loans by type of modification:

	2013			
	Interest Only	Term Only	Combination	Total Modification
Commercial	$ -	$ 251	$ -	$ 251
Automobile	-	330	-	330
First mortgage	-	-	78	78
Other consumer	-	12	-	12
	$ -	$ 593	$ 78	$ 671

	2012			
	Interest Only	Term Only	Combination	Total Modification
Commercial	$ 267	$ -	$ 505	$ 772
Automobile	-	380	-	380
First mortgage	-	-	137	137
Home equity	-	9	-	9
Other consumer	-	5	-	5
	$ 267	$ 394	$ 642	$ 1,303

Troubled debt restructurings modified in the past 12 months that subsequently defaulted:

	2013	
	Number of Loans	Recorded Balance
Automobile	2	$ 46

	2012	
	Number of Loans	Recorded Balance
Automobile	6	$ 114
Home equity	1	9
Other consumer	1	5
	8	$ 128

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2013	2012
Cost		
Land	$ 3,986	$ 3,549
Building and improvements	16,656	15,834
Equipment	11,970	13,208
Construction in progress	323	214
Total cost	32,935	32,805
Accumulated depreciation	(16,479)	(17,685)
Net	$ 16,456	$ 15,120

Note 6: Members' Deposits

	2013	2012
Savings deposits		
Regular shares	$ 304,803	$ 297,102
Share checking	128,087	120,971
Money market shares	210,061	178,498
Share certificates	284,778	284,533
IRA certificates	84,266	84,383
Total deposits	$ 1,011,995	$ 965,487

At December 31, 2013, scheduled maturities of certificates are as follows:

2014	$ 176,994
2015	59,863
2016	64,530
2017	50,911
2018	16,746
Total certificates	$ 369,044

The aggregate amount of certificates with a minimum denomination of $100,000 was approximately $131,239,000 and $124,812,000 at December 31, 2013 and 2012, respectively.

Note 7: FHLB Advances

Advances outstanding from the Federal Home Loan Bank totaled $41,000,000 and $40,000,000 at December 31, 2013 and 2012, respectively. Interest rates range from 2.00 percent to 4.62 percent at December 31, 2013. Interest is payable monthly. The advances are collateralized by approximately $179,398,000 of mortgage loans as of December 31, 2013, under a specific collateral agreement.

The advances are subject to prepayment penalties and provisions and conditions of the credit policy of the Federal Home Loan Bank. Future obligations of the advances are as follows at December 31, 2013:

2014	$ -
2015	5,000
2016	5,000
2017	5,000
2018	12,000
Thereafter	14,000
Total advances	$ 41,000

Note 8: Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others totaled approximately $146,825,000 and $135,355,000 at December 31, 2013 and 2012, respectively.

The aggregate fair value of capitalized mortgage-servicing rights at December 31, 2013 and 2012 was immaterial to the consolidated financial statements taken as a whole.

Note 9: Taxes

The Credit Union and subsidiary are subject to a franchise tax imposed by the State of Indiana on net income after regulatory reserve transfers and certain other adjustments. The Credit Union and subsidiary incurred current franchise tax of $522,000 for 2013 and $355,000 for 2012. Federal income taxes are not provided for the Credit Union in the consolidated financial statements since the Credit Union is exempt. The subsidiary is subject to federal income tax, which is immaterial to the consolidated financial statements. With few exceptions, the Credit Union is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2010.

Note 10: Commitments and Contingent Liabilities

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not included in the Credit Union consolidated financial statements. The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual or notional amount of those instruments. The Credit Union uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

Financial instruments whose contract amount represents credit risk were as follows:

	2013	2012
Commitments to extend credit		
Mortgage loans	$ 50,880	$ 47,578
Consumer loans	97,462	79,841
Commercial loans	8,872	2,268

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include consumer goods and real estate.

The Credit Union is also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such possible claims or lawsuits will not have a material adverse effect on the consolidated financial position of the Credit Union.

Note 11: Employee Benefit Plans

The Credit Union has a retirement savings 401(k) plan in which substantially all employees may participate. The Credit Union matches employees' contributions up to three percent and may make a discretionary contribution. The Credit Union's expense for the plan was approximately $180,000 and $145,000 for 2013 and 2012, respectively.

Note 12: Fair Values of Financial Instruments

Fair value 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as 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 assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2013 and 2012:

		2013 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal agencies	$ 165,771	$ -	$ 165,771	$ -
SBA securities	6,673	-	6,673	-
NCUA guaranteed notes	7,880	-	7,880	-
Mortgage-backed securities - GSE residential	74,773	-	74,773	-
	$ 255,097	$ -	$ 255,097	$ -

		2012 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal agencies	$ 134,020	$ -	$ 134,020	$ -
SBA securities	9,067	-	9,067	-
NCUA guaranteed notes	9,792	-	9,792	-
Mortgage-backed securities - GSE residential	93,962	-	93,962	-
	$ 246,841	$ -	$ 246,841	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2013.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Credit Union does not have any Level 1 securities. If quoted market prices are not available, then fair values are estimated by using pricing models and quoted prices of securities with similar characteristics. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions. Additionally, matrix pricing is used for certain investment securities and is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities, but rather relying on the investment securities' relationship to other benchmark quoted investment securities. Level 2 securities include federal agencies, SBA securities, NCUA guaranteed notes and mortgage-backed securities. The Credit Union does not have any Level 3 securities.

Nonrecurring Measurements

The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2013 and 2012:

		2013 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 5,507	$ -	$ -	$ 5,507

		2012 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 6,183	$ -	$ -	$ 6,183
Other real estate owned	1,476	-	-	1,476

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Impaired Loans (Collateral Dependent)

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Credit Union considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by senior management. Appraisals are reviewed for accuracy and consistency by senior management. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by senior management by comparison to historical results.

Other Real Estate Owned

Other real estate owned (OREO) is carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of OREO is based on appraisals or evaluations. OREO is classified within Level 3 of the fair value hierarchy.

Appraisals of OREO are obtained when the real estate is acquired and subsequently as deemed necessary by senior management. Appraisals are reviewed for accuracy and consistency by senior management. Appraisers are selected from the list of approved appraisers maintained by management.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements.

	Fair Value at December 31, 2013	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent impaired loans	$ 5,507	Appraisal	Marketability discount	10 - 15%

	Fair Value at December 31, 2012	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent impaired loans	$ 6,183	Appraisal	Marketability discount	10 - 15%
Other real estate owned	$ 1,476	Market comparable properties	Comparability adjustments (%)	10 - 15%

Fair Value of Financial Instruments

The estimated fair values of the Credit Union's financial instruments at December 31 are as follows:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$ 145,558	$ 145,558	$ 198,188	$ 198,188
Interest-bearing time deposits	8,522	8,520	8,182	8,181
Securities available-for-sale	255,097	255,097	246,841	246,841
Securities held-to-maturity	95,348	95,057	51,028	51,941
Loans held for sale	540	540	3,134	3,134
Loans, net	642,962	656,901	584,563	604,597
FHLB stock	2,856	2,856	2,517	2,517
NCUSIF deposit	9,615	9,615	8,826	8,826
Liabilities				
Members' deposits	1,011,995	1,016,358	965,487	974,201
FHLB advances	41,000	43,490	40,000	44,987

ASC 825-10, *Financial Instruments*, requires that the Credit Union disclose estimated fair values for its financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents - The fair value of cash and cash equivalents approximates carrying value.

Interest-bearing time deposits - The fair value of interest-bearing time deposits is estimated using discounted cash flow analysis, using interest rates currently being offered for time deposits with similar terms.

Securities held-to-maturity - The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions. Additionally, matrix pricing is used for certain investment securities and is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities.

Loans held for sale -The fair value of loans held for sale approximates carrying value.

Loans - The fair value of loans is estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to members of similar credit quality.

FHLB stock - Fair value of FHLB stock is based on the price at which it may be resold to the FHLB.

NCUSIF deposit - The fair value of NCUSIF deposit approximates carrying value.

Members' deposits - The fair value of share checking, regular shares, club accounts and money market shares is the amount payable on demand at the balance sheet date. The fair value of fixed maturity certificates is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected maturities on such time deposits.

FHLB advances - The fair value of FHLB advances is estimated using a discounted cash flow valuation that applies interest rates currently being offered on similar advances to a schedule of aggregated expected maturities of similar advances.

Off-Balance Sheet commitments - Commitments include commitments to purchase and originate mortgage loans, commitments to sell mortgage loans and standby letters of credit and are generally of a short-term nature. The fair value of such commitments is based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Note 13: Regulatory Capital

The Credit Union is subject to regulatory net worth ratio requirements administered by the NCUA. In addition, the NCUA has also established Risk-Based Net Worth (RBNW) requirements for complex credit unions based on risk-weighting formulas on specific assets, liabilities and off-balance sheet items, which qualify under the regulations. Failure to meet minimum net worth or RBNW requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table below) of net worth (as defined in the regulations) to assets (as defined) and RBNW ratios (as defined). Management believes, as of December 31, 2013, that the Credit Union meets all capital adequacy requirements to which it is subject, and no events have occurred since that date that would change the Credit Union's classification. The Credit Union's RBNW ratio is below the 6% minimum requirement to be considered a complex credit union. As of December 31, 2013 and 2012, the Credit Union's RBNW was 4.80% and 4.51%, respectively.

As of December 31, 2013 and 2012, the Credit Union's net worth is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7%.

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2013	$ 127,748	10.76%	$ 71,247	6.00%	$ 83,121	7.00%
December 31, 2012	$ 118,435	10.47%	$ 67,890	6.00%	$ 79,205	7.00%

Note 14: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

Centra Locations

Columbus

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2020 26th Street
Columbus, IN 47201
(812) 378-5962

Edinburgh
1170 North US 31
Edinburgh, IN 46124
(812) 376-9979

National Road
1430 National Road
Columbus, IN 47201
(812) 376-9771
or (800) 232-3642

Union Street
601 Union Street
Columbus, IN 47201
(812) 372-8811
or (800) 451-8185

State Road 46 West
2165 Jonathan Moore Pike
Columbus, IN 47201
(812) 376-7661

Walesboro
2010 West 450 South
Columbus, IN 47201
(812) 342-4403

Mortgage Center
70 Carr Hill Road
Columbus, IN 47201
(812) 314-0420

South-Central Indiana

Greensburg Plaza
1803 North Lincoln Street, Suite A
Greensburg, IN 47240
(812) 662-9392

Madison
303 Clifty Drive
Madison, IN 47250
(812) 273-8844

North Vernon
975 North Veterans Drive
North Vernon, IN 47265
(812) 346-9596

Seymour
520 South Jackson Park Drive
Seymour, IN 47274
(812) 523-3230

Shelbyville
2450 East State Road 44
Shelbyville, IN 46176
(317) 392-2100

Southern Indiana

Clarksville Walmart
1351 Veterans Parkway
Clarksville, IN 47129
(812) 284-4180

Jeffersonville
2125 Veterans Parkway
Jeffersonville, IN 47130
(812) 288-2450

New Albany
710 Pillsbury Lane
New Albany, IN 47150
(812) 944-1325

Scottsburg
281 North Gardner
Scottsburg, IN 47170
(812) 752-3377

Scottsburg Walmart
1618 West McClain
Scottsburg, IN 47170
(812) 752-7010

Sellersburg
7812 State Road 60
Sellersburg, IN 47172
(812) 280-2820

Indianapolis

Carmel
11711 North Pennsylvania, Suite #101
Carmel, IN 46032
(317) 843-5380

Shadeland
4562 North Shadeland Avenue
Indianapolis, IN 46226
(317) 541-1960

New York

Jamestown
4720 Baker Street
Lakewood, NY 14750
(716) 763-4405

North Carolina

Whitakers
9377 North U.S. 301
Whitakers, NC 27891
(252) 437-9214

Shared Branch and CO-OP ATM Locations

For a list of over 5,000 nationwide shared branches and nearly 30,000 FREE ATM locations, visit Centra.org.

Corporate Office Building Mailing Address

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3801 Tupelo Drive
P.O. Box 789
Columbus, IN 47202
(800) 232-3642

Notes