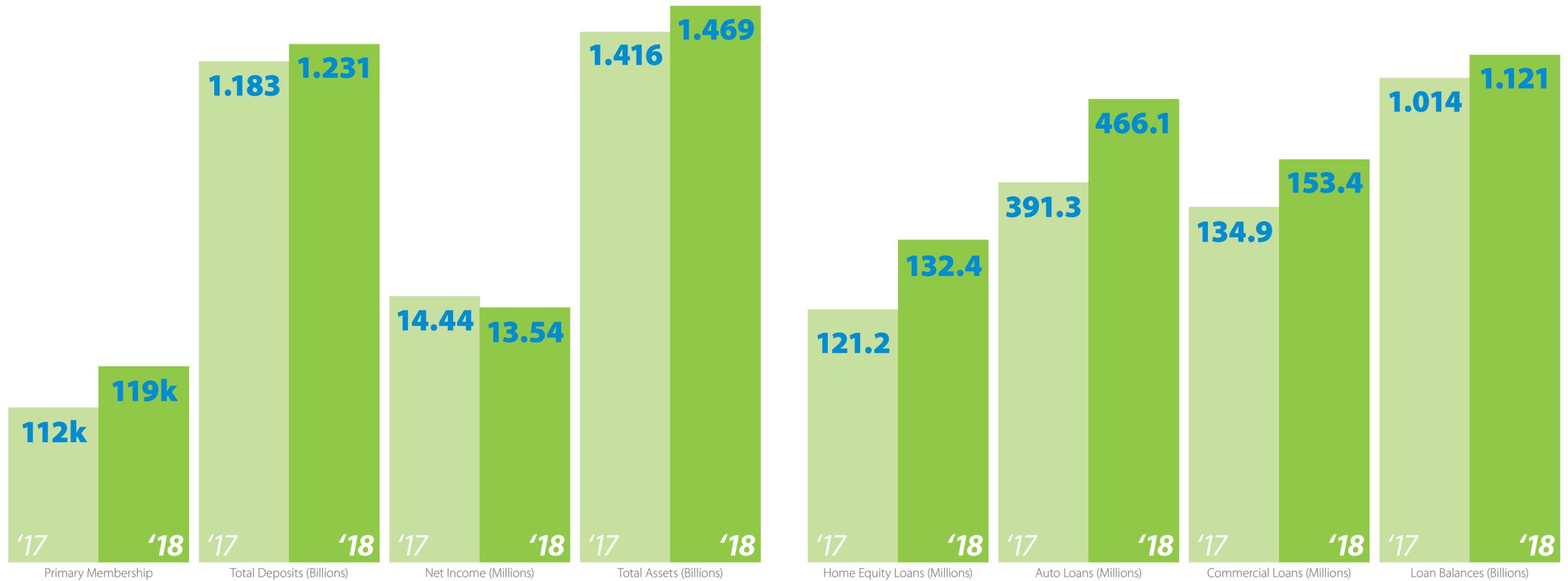


CENTRA

CREDIT UNION

2018 ANNUAL
REPORT



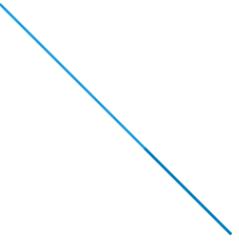


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CHAIRPERSON'S REPORT



Mary Stroh

Centra is committed to the principle that healthy companies are those that are growing and constantly improving. This is the central tenet of our 5-in-5 strategic plan for growth that we established two years ago.

Our focus on Technology, Member Experience, Member Growth, Facilities, and Team Member Experience drove major improvements in these areas. Centra went to great lengths to understand our Members and Team Members, what they needed, and how we could meet those needs through financial solutions.

In 2018, solutions were implemented in the form of updated technology, new or remodeled branch locations, understanding and systematically improving the way we serve our Members, and continuing to develop our Team Members to better identify and serve our Members' needs.

At the same time, a major new core operating system was implemented that laid the groundwork for more new technology and convenience options in the future.

Centra's continued focus on our 5-in-5 strategic plan led to a successful year, both financially and strategically, and better positioned our Credit Union for the future. We feel strongly that the accomplishments of 2018 will resonate through the coming years with new and better ways of achieving our mission of being "Centered Around You."

PRESIDENT'S LETTER



Rick Silvers

Centra is an organization that cares deeply for its individual Members and the Membership as a whole. "People Helping People" is a sentiment our Team Members kept top of mind as they worked to complete many major projects aimed to improve Members' interactions with Centra and help them achieve financial success.

Due to process improvements, our Members can now close a mortgage with Centra more quickly to gain an edge in a competitive home market. New strategies were put in place to prevent and stop attempted fraud on our Members' accounts. Members were given even more voice in the Credit Union with additional opportunities added to collect their feedback. Centra's success in 2018 went far beyond the numbers.

Those numbers do show our focus on Members is well received. Of particular note, I would like to focus on our continued Loan Growth, reaching \$1.121 billion in loans, excellent Return on Assets of 0.94%, and perhaps most importantly, continued Member Growth and exceptional Member Service scores. To achieve success in these areas during a transitional year such as 2018 truly speaks to the special relationship we have with you, our Members.

We thank you for keeping your trust in Centra and we want all of our Members to know that we are dedicated to returning that trust with our commitment to do our best in everything we do.

BOARD OF DIRECTORS



Mary Stroh
Chairperson



Jim Bickel
Vice Chairperson



Brian McBroom
Secretary/Treasurer



Loretta M. Burd



Alan Degner

SUPERVISORY COMMITTEE



Joseph Brown
Chairperson



Christopher Orben



Sara Jacobi



Mark Eddy



Amber Fischvogt



Donald Jackson



Randy Proffitt



Kesavan Venugopal

SENIOR MANAGEMENT



Rick Silvers
President & CEO



Patty Knorr
Chief Experience Officer



Brad Davis
Chief Credit Officer



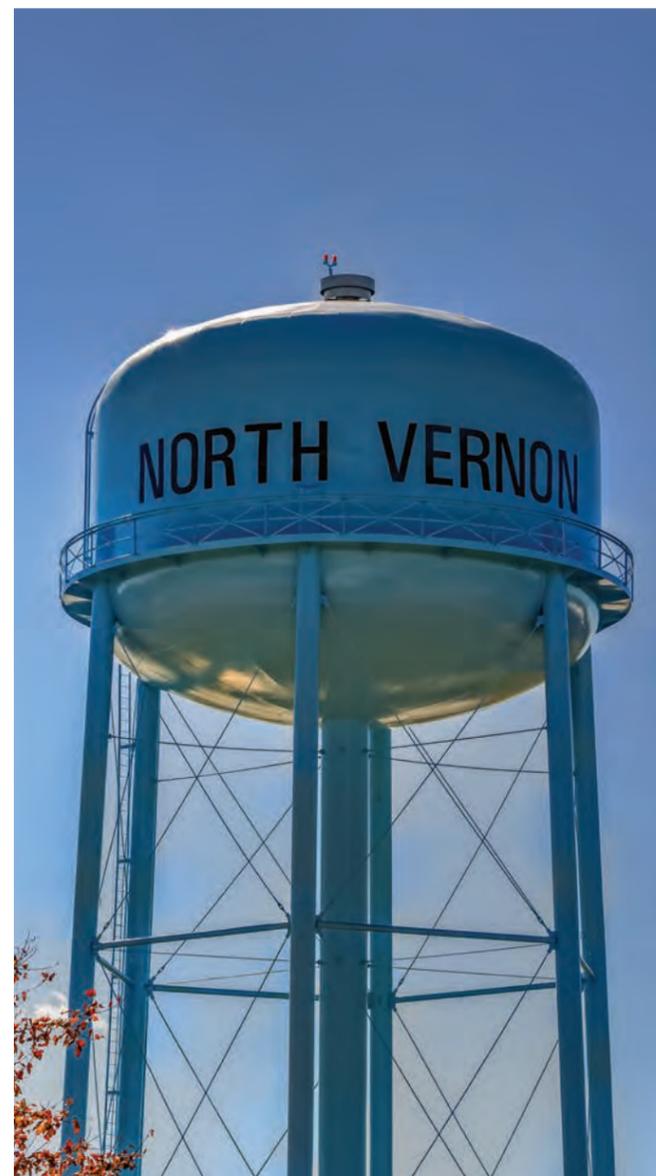
Dave Mann
Chief Financial Officer



Chris Bottorff
Southern Region President
Chief Sales Officer



Norb Adrian
Chief Information Officer



MEMBER EXPERIENCE

Improving our Members' lives is always the primary focus at Centra.

Among the accomplishments we are most pleased to report from this past year is that we once again exceeded our annual goals for Member Services scores, posting an annual total of 4.8 on a 5-point scale.

In addition, we expanded our Voice of the Member program with Relationship and Transactional surveys, offering us a glimpse of how Members currently feel about their Centra experience and how we can go about improving. We also began measuring our Net Promoter Score, which indicates how likely Members are to recommend Centra to others – a key measure of just how successful we are in meeting your needs.

Member Support

We developed enhanced Member Engagement training, to ensure we continue to match the right products, services and overall experience to the unique needs of each individual Member.

Centra unveiled three new Home Mortgage products in 2018, including some great new options for first-time home buyers.

We have many exciting developments for you planned over the next few years that will build on the accomplishments of 2018.





MEMBER GROWTH

Continued Growth

Total Membership at Centra exceeded the 150,000 mark in 2018. Market statistics show us that a great deal of this growth is coming from the young adult demographic. Meeting the financial needs of new generations of Members is essential if Centra is to continue to grow and improve the financial lives of people in our communities into the future.

We saw excellent growth in new checking accounts in 2018, with **8,364** accounts opened. We also saw strong growth in Business Services loans, continued strong Indirect Lending results with increased profitability coupled with managed risk concentration, and continued development of the Treasury Management area becoming a recognized competitor for Public Funds deposits. Centra's Business Services team focused on researching and understanding our business partners' needs for continued product development.

Member Interaction

A great sign of our continued outreach and engagement with our Members was reflected in Centra reaching 10,000 fans on Facebook. Increased use of these social tools as well as use of mobile and online banking indicate that we are reaching more Members who want to utilize technology to handle their finances. Our recent upgrades will allow us to offer more and better solutions for this growing market well into the future.



TEAM MEMBER EXPERIENCE

Overwhelming Dedication

Centra's Team Members displayed great dedication this past year in making sure our transition to a new core operating system went as smoothly as possible. Although there were certainly challenges along the way, our Team Members never wavered in keeping the primary goal in mind of being Centered Around You, the Member.

Training Professionals

Of special note among successes in 2018 were the contributions of our Training Department, developing and managing countless hours of detailed training on all aspects of the new core operating system as well as acting as subject matter experts to support Team Members.

We believe that having a skilled, experienced team of professionals is the key to providing continued excellent service to our Members. We were pleased to see our highest Team Member retention rate ever in 2018, among the best in our industry.



TECHNOLOGY

Technological Development

The overarching technological development of the year was converting our core operating system to a new operating system, which opens the door to add many new system enhancements in our front line and back office operations, improving efficiencies at every level of the organization. Virtually every part of Centra's operations were touched in some way by the conversion, and we have quickly seen advantages offered by the new technology. Our new system fits perfectly with the Centra mission of being "Centered Around You," allowing us to be able to share a truly 360-degree view of your relationship with Centra in one place and offering services that give you a picture of your finances at a glance.

New Systems

We implemented a new online/mobile banking system which has allowed us to offer many new services proving popular with our Members. These include the ability to reset your own password when needed, tools to help you create a budget, monitor spending and save for goals, fingerprint recognition for quick access to your Mobile banking, and the ability to see all your accounts in one place, including accounts with other institutions. Combined with existing features, such as Mobile Deposit, ATM/Branch Search, and Mobile Alerts, these features have been the impetus for significant growth in the number of Centra Members utilizing mobile banking, with mobile banking usage now as high as online banking. 53,000 Members are actively using online banking, and 60 percent of those Members now utilize mobile banking.



FACILITIES

New Facilities

Centra opened its 24th branch to Members in New Albany, Indiana in 2018. Located on a high-traffic section of State Street, the branch expands Centra's outreach in the southern region of Indiana, now reaching across the New Albany, Jeffersonville and Clarksville area. In addition, Centra relocated its Sellersburg branch into a new and more accessible location and acquired a property in Salem, Indiana – which is an expansion into a brand new market. These new branches will open in the first quarter of 2019.

Improvements

Along with these developments, upgrades were completed at the Shelbyville, Greensburg, Seymour and 26th Street Columbus branches. These improvements primarily focused on Member seating areas to ensure our Members are comfortable when visiting a Centra location. The coming year will see more improvements to Centra branches, giving our Members some exciting new service options.

A Strong Foundation

More exciting news was made when the Centra Board of Directors approved the design and funding for a new headquarters building at the Tupelo Drive, Columbus location. Groundbreaking on this project will take place in the Spring of 2019 with project completion coming early in 2020. It will also provide us room to grow our Team to meet the growing needs of our Members. This new office symbolizes Centra's commitment to Columbus, which we have been proud to call home for 78 years and counting.

CENTRA FOUNDATION

Providing Support

The Centra Foundation provides financial support to non-profit organizations located where Centra Members live and work. The Foundation is dedicated to the philosophy of “people helping people” and focuses on three philanthropic efforts: educational scholarships, financial literacy education, and community action.

Educational Scholarships and Financial Education

In 2018, the Centra Foundation awarded 23 local high school seniors and 2 returning adult students with a \$2,500 college scholarship. All scholarship recipients are Centra Members, and we value the opportunity to support them as they continue their education.

The Foundation also works hard to provide financial literacy education to children in elementary and high school, as well as to local community organizations in need of that service.

Community Action

The Centra Foundation donated more than \$100,000 to local charitable organizations that Centra Team Members took great pride in nominating. They shared organizations that were important to them, and we are proud to be able to support our communities with these donations.

United Way Workplace Campaign

Each year, the Centra Team supports the United Way through a Workplace Campaign. It’s an opportunity for our Team Members to make a difference in their communities. Each year through the Centra Workplace Campaign, we see the incredible impact we can make when we come together for a common cause. It’s true – together we are better.

Holiday Giving Program

The Centra Foundation and Centra Credit Union once again offered an opportunity to support children and families in our local communities. Christmas trees at Centra Credit Union branches were decorated with tags representing the needs of a local child. Instead of buying gifts, Centra Members, Team Members, and other community members made financial donations. Gifts for the local children in need were purchased by supporting organization volunteers with the cash donations. With your help, we raised more than \$31,700 and helped 317 children in need during the 2018 holiday season.

Credit Unions were built on the premise of People Helping People. We are excited to help support so many wonderful organizations whose efforts support a similar mission and who do so in the local communities where Centra has a branch presence.

Rick Silvers, Centra President and CEO



TREASURER'S REPORT



Brian McBroom

We are pleased to report that the trend of strong financial performance continued for Centra in 2018. Financial highlights of the year included exceeding goals in Loan Balances, Total Assets and Net Income. These accomplishments along with continued growth in Membership and accounts opened are evidence of a strong foundation for future growth.

Other financial highlights include the development of a Five-Year financial plan that can be regularly updated with various micro and macro level assumptions, receiving a clean financial audit opinion from our external auditor with no management comments, continued progress towards achieving the 'Moderate' Credit Risk Appetite as approved by the Board, successfully automating impaired loan calculations to better comply with accounting standards, continued strong credit quality and the increased involvement of Risk Management in business decision modeling.

As mentioned elsewhere in this report, we continue to move "full speed ahead" with the 5-in-5 Plan for growth with full confidence that Centra remains in a solid financial position to achieve its long range ambitions.

CENTRA CREDIT UNION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

As of December 31, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$83,622,132	\$91,992,326
Interest bearing deposits	2,738,204	16,127,007
Investment securities:		
Available-for-sale	199,104,769	212,217,915
Held-to-maturity	27,463,666	39,124,841
Loans held-for-sale	-	1,329,875
Loans to members, net of allowance for loan losses	1,112,862,780	1,004,667,209
Property and equipment	19,761,258	19,804,380
FHLB stock	3,025,200	2,878,700
NCUSIF deposit	11,522,832	10,994,381
Other assets	8,596,010	17,210,783
Total assets	<u>\$1,468,696,851</u>	<u>\$1,416,347,417</u>
Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts	\$1,230,502,336	\$1,183,365,318
Borrowings	32,000,000	29,000,000
Other liabilities	15,018,699	24,909,872
Total liabilities	1,277,521,035	1,237,275,190
Commitments and contingent liabilities		
Members' equity:		
Regular reserve	72,171,256	64,719,656
Undivided earnings	121,582,061	115,490,074
Accumulated other comprehensive loss	(2,577,501)	(1,137,503)
Total members' equity	191,175,816	179,072,227
Total liabilities and members' equity	<u>\$1,468,696,851</u>	<u>\$1,416,347,417</u>

CENTRA CREDIT UNION

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2018 and 2017

Interest income:		
Loans to members	\$44,550,008	\$36,505,532
Investments	7,170,738	6,076,357
Total interest income	51,720,746	42,581,889
Interest expense:		
Members' shares and savings accounts	10,197,840	8,144,962
Borrowings	1,115,636	1,133,243
Total interest expense	11,313,476	9,278,205
Net interest income	40,407,270	33,303,684
Provision for loan losses	3,047,055	2,394,982
Net interest income after provision for loan losses	37,360,215	30,908,702
Non-interest income:		
Fees and charges and other member fees	10,964,021	11,825,958
Interchange income	7,326,894	7,577,575
Insurance commissions	2,496,951	2,445,469
Other income	1,513,247	1,132,053
Gain on sale of loans	494,145	912,914
Gain on sale of other assets	28,076	53,784
Total non-interest income	22,823,334	23,947,753
Non-interest expenses:		
Employee compensation and benefits	20,858,795	18,020,314
Professional and outside services	8,355,924	6,976,428
Office operations	4,895,264	4,969,064
Office occupancy	4,072,724	3,475,362
Other	3,425,328	2,312,835
Loan servicing	2,600,191	2,451,382
Educational and advertising	2,043,371	1,678,178
Indiana franchise tax	388,365	531,352
Total non-interest expenses	46,639,962	40,414,915
Net income	\$13,543,587	\$14,441,540

CENTRA CREDIT UNION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2018 and 2017

	2018	2017
Net income	\$13,543,587	\$14,441,540
Other comprehensive loss:		
Available-for-sale investment securities:		
Net unrealized holding losses on available-for-sale investment securities	(1,352,172)	(907,170)
Reclassification adjustment for net gains and losses included in net income	(87,826)	-
Other comprehensive loss	(1,439,998)	(907,170)
Comprehensive income	\$12,103,589	\$13,534,370

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

Years Ended December 31, 2018 and 2017

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2016	\$58,069,720	\$107,698,470	(\$230,333)	\$165,537,857
Net income	-	14,441,540	-	-
Required reserve transfer	6,649,936	(6,649,936)	-	-
Other comprehensive loss	-	-	(907,170)	(907,170)
Balance: December 31, 2017	64,719,656	115,490,074	(1,137,503)	164,630,687
Net income	-	13,543,587	-	13,543,587
Required reserve transfer	7,451,600	(7,451,600)	-	-
Other comprehensive loss	-	-	(1,439,998)	(1,439,998)
Balance: December 31, 2018	<u>\$72,171,256</u>	<u>\$121,582,061</u>	<u>(\$2,577,501)</u>	<u>\$176,734,276</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net income	\$13,543,587	\$14,441,540
Adjustments to net cash provided from operating activities:		
Provision for loan losses	3,047,055	2,394,982
Depreciation and amortization	2,625,850	1,955,485
Amortization of deferred loan fees and costs	4,326,942	4,807,059
Gain on sale of loans	(494,145)	(912,914)
Net amortization and accretion on investment securities	1,488,045	2,091,474
Changes in assets and liabilities:		
Other liabilities	(9,891,173)	16,604,503
Other assets	8,614,773	(1,539,006)
Loans held-for-sale	1,329,875	1,688,125
Total adjustments	11,047,222	27,089,708
Net cash provided from operating activities	<u>24,590,809</u>	<u>41,531,248</u>
Cash flows from investing activities:		
Net increase in loans to members	(115,075,423)	(95,747,635)
Proceeds from maturities, calls, paydowns, and sales of available-for-sale investment securities	61,306,314	70,725,616
Proceeds from the maturities, calls and paydowns of held-to-maturity investment securities	11,549,665	15,210,254
Purchase of available-for-sale investment securities	(51,009,701)	(79,278,567)
Maturity of interest bearing deposits	13,388,803	35,159,990
Increase in NCUSIF deposit	(528,451)	(413,183)
Purchase of FHLB stock	(146,500)	(21,600)
Purchase of property and equipment	(2,582,728)	(5,678,615)
Net cash used in investing activities	<u>(83,098,021)</u>	<u>(60,043,740)</u>
Cash flows from financing activities:		
Net increase in members' shares and savings accounts	47,137,018	27,969,282
Proceeds from FHLB advances	15,000,000	-
Payments on FHLB advances	(12,000,000)	(5,000,000)
Net cash provided from financing activities	50,137,018	22,969,282
Net (decrease)/increase in cash and cash equivalents	(8,370,194)	4,456,790
Cash and cash equivalents - beginning	91,992,326	87,535,536
Cash and cash equivalents - ending	<u>\$83,622,132</u>	<u>\$91,992,326</u>
Supplemental Information		
Interest paid	<u>\$11,313,476</u>	<u>\$9,278,205</u>

