



*Discover
the
Benefits*

*Midwest Corporate FCU
2003 Annual Report*

MIDWEST CORPORATE FCU

Board of Directors

Denton Zubke, Chair, District 1 (Roughrider) (2004) Dakota West CU
Mindee Kohlman, Vice Chair, District 2 (Souris Valley) (2005) Prairie Federal CU
Duane Lund, Secretary/Treasurer, District 7 (Red River) (2005) N.D. Air National Guard CU
Darwin Brokke, Director, District 4 (North Central) (2006) Citizens Community CU
Debra Gallagher, Director, District 3 (Missouri Valley) (2005) Capital CU
Cheryl Malm, Director, District 6 (Maurie C. Byrne) (2006) Med Park CU
Eric Muslandt, District 5 (James Valley) (2004) LaMoure CU

Asset-Liability Committee

Denton Zubke, Chair Dakota West Credit Union
Darwin Brokke Citizens Community Credit Union
Mindee Kohlman Prairie Federal Credit Union
Douglas Wolf President/CEO

Credit Committee

Paul Brucker, Chair Railway Credit Union
Ron Schulz New Salem Credit Union
Al Schwindt St. Alexius Medical Center Credit Union

Supervisory Committee

Mindee Kohlman, Chair Prairie Federal Credit Union
Patricia Mathisen St. Alexius Medical Center Credit Union
Doreen Ottemoeller Capital Credit Union

Staff

Douglas Wolf President/CEO
Trudy Wise Vice President of Operations
Jody Braunberger Service Consultant
Shawn Marie Brummer Service Consultant
Kelli Neigum Service Consultant
Cindy Weigel Accountant

Report of the Chairman and the President



Denton Zubke, Chairman

As we begin to celebrate the 200th anniversary of the Corps of Discovery coming through what is now North Dakota, it seems very appropriate to use this backdrop as we reflect back on the past year. In 2003, we explored unknown paths and charted a course that will see us through for years to come.

We began the year exploring the possibilities of creating a new organization with Missouri Corporate that could have led to a new type of corporate credit union, one that would utilize each organization's strengths better, keep services delivered locally, and ensure local involvement in governance. This process of discovery was very enlightening. It forced the Board and management to take a hard look at all aspects of what we do. Do we deliver quality services with good returns on invested deposits and competitive fees for services? Are we able to offer our members the services they need and that are offered by other corporate credit unions? Is our financial performance and capital position good enough to

ensure a bright future for Midwest Corporate and our members? The answer to these and all of our questions was, yes!

Our exploration for a new combined organization revealed that, in the long run, it was in the best interest of our members to remain an independent corporate credit union, focused on the needs of the credit unions in the Dakotas. In addition, it led to the restructuring of the overnight investment/settlement account from five tiers to two, simplifying the account. The Membership Capital Share Deposit account was adjusted to pay higher dividends. Remaining independent also assured a focus on the needs of our members at the local level. However, the discussions that led to all of this also led to a new partnership of sorts with Missouri Corporate. We have created a close working relationship that we are confident will lead to helping each other succeed even more.



Doug Wolf, President/CEO

In 2003, we saw members look more and more to Midwest Corporate to provide opportunities for better returns on investments. Our SimpliCD program was the perfect answer for many as evidenced by the program growing 98.1% in 2003, with members investing over \$87 million as of December 31, 2003. We also were able to again reward those members who support us with Membership Capital Share Deposits with a bonus dividend totaling \$41,405.

With this new direction, we have set a new course to ensure our future. We monitor our financial position to ensure a strong capital position. The result is that we consistently rank in the top five for corporate credit union retained earnings ratios. We look to expand our services into South Dakota. We look to partner with reputable vendors to bring new and innovative services to our members. And we look to take advantage of affordable, secure technologies to improve how our services are delivered.

While the Board and management work very hard to make Midwest Corporate the best it can be, it is only through our members' support and the tireless efforts of our staff that we can be as successful as we are. We thank you.

So for those who are members of Midwest Corporate, hold on as we continue on our journey of discovery to new and better services. For those who are not yet members, we invite you to come and *Discover the Benefits of Membership* with Midwest Corporate!

Respectfully Submitted,

Denton Zubke
Chairman

Douglas C. Wolf
President/CEO

Treasurer's Report



Duane Lund, Treasurer

I am pleased to report that Midwest Corporate continues to perform very well financially. Our equity reserves ended 2003 at just under \$6.5 million, with capital increasing 4.7% for the year. Despite the low rate environment, our net income for the year exceeded our budget and interim projections, ending the year at \$287,416.

We continue to return to our members most of our income in the form of dividends. In 2003, we returned 79.3% of our interest income and 73.7% of our gross income to our members. This included a special dividend of over \$41,000 paid to our Membership Capital Share Deposit account holders, increasing the effective annual return on that account to over 1.75%.

Operating expenses in 2003 came in at \$573,146 which was \$39,320 over the 2002 level, or 7.4% higher, but was under our budget forecast by \$31,604. The overall operating expense compared to our gross income was only 16.6%, and when calculated as a percentage of our 12-month Daily Average Net Assets (DANA), our operating expenses came in at the same level as the previous two years at 0.3%. This discipline in controlling expenses means that we continue to be among the most efficiently run corporate credit unions in the country.

Our DANA ended the year 2003 at \$188.9 million compared to 2002's DANA of \$181.0 million, an increase of 4.4%. This left our total capital to DANA ratio at 6.4% for the year ended December 31, 2003, up 7 basis points from one year earlier. In addition to strong capital, we continue to maintain a low risk balance sheet, and our net economic value (NEV) analysis throughout 2003 remained well within regulatory and policy limits.

Our SimpliCD program grew significantly in 2003 with 10 additional members signing up, and member dollars invested nearly doubling, ending the year with \$86.9 million invested through the program. Combining this with the DANA growth, Midwest Corporate has experienced significant growth in both on and off balance sheet deposits.

Overall, Midwest Corporate remains financially sound. Regulatory and policy capital levels are being exceeded and balance sheet risk levels are being kept to a minimum. The expected continuation of low interest rates will keep us challenged in 2004, but our commitment to controlling costs and actively managing the balance sheet should result in positive financial results well into the future.

Respectfully Submitted,

Duane Lund

Treasurer

Midwest Corporate FCU

Statement of Financial Condition

(unaudited)

<i>Assets</i>	12/31/03	12/31/02
Cash & Cash Equivalents	\$ 3,235,626	\$ 2,458,505
Loans to Members	3,246,152	2,273,427
Investments	164,397,283	191,837,107
Securities Purchased Under Agreements to Resell	- 0 -	- 0 -
Investments in Corporate CUSOs	299,980	124,070
NCUSIF Deposit	56,925	62,703
Interest Receivable	344,499	408,404
Future Dated ACH	14,467,462	10,344,759
Other Assets	<u>141,455</u>	<u>109,277</u>
Total Assets	<u>\$186,189,383</u>	<u>\$207,618,251</u>
 <i>Liabilities & Equity</i>		
<i>Liabilities</i>		
Notes Payable	\$ 3,168,332	\$ 14,900,326
Securities Sold Under Agreements to Repurchase	- 0 -	- 0 -
Interest Payable	44,447	113,592
Future Dated ACH	14,467,462	10,344,759
Other Liabilities	<u>46,202</u>	<u>41,745</u>
Total Liabilities	<u>\$ 17,726,443</u>	<u>\$ 25,400,421</u>
 <i>Shares</i>		
Share Accounts	\$111,184,779	\$123,247,092
Certificates of Deposit	45,290,911	47,588,304
Member Capital Shares	<u>5,525,053</u>	<u>5,208,770</u>
Total Shares	<u>\$162,000,742</u>	<u>\$176,044,167</u>
 <i>Equity</i>		
Regular Reserve	\$ 3,087,718	\$ 3,087,718
Other Reserves	104,980	104,980
Unrealized Gain(Loss) on AFS Investments	1,053	(65)
Undivided Earnings	2,981,030	2,745,754
Net Income	<u>287,416</u>	<u>235,276</u>
Total Primary Equity	<u>\$ 6,462,197</u>	<u>\$ 6,173,663</u>
Total Liab. & Equity	<u>\$186,189,383</u>	<u>\$207,618,251</u>
 <i>12-month Average</i>		
Daily Net Assets	<u>\$188,915,340</u>	<u>\$180,971,179</u>

NOTE—Audited Statements are available upon request

Midwest Corporate FCU

Statement of Income

(unaudited)

<i>Year-to-Date</i>	12/03	12/02
<i>Interest Income</i>		
Interest on Loans	\$ 60,617	\$ 77,408
Interest on Investments	<u>3,158,734</u>	<u>4,022,053</u>
Total Interest Income	<u>\$3,219,351</u>	<u>\$4,099,461</u>
 <i>Interest Expense</i>		
Interest on Deposits	\$2,551,566	\$3,467,944
Interest on Borrowed Funds	<u>49,776</u>	<u>66,055</u>
Total Interest Expense	<u>\$2,601,342</u>	<u>\$3,533,999</u>
Net Interest Income	\$ 618,009	\$ 565,461
Fee Income	242,553	201,971
Operating Expenses	<u>573,146</u>	<u>533,826</u>
Net Income from Operations	\$ 287,416	\$ 233,606
Non-Operating Gains(Losses)	<u>- 0 -</u>	<u>1,670</u>
Net Income	<u>\$ 287,416</u>	<u>\$ 235,276</u>

Ratios

	12/03	12/02
Primary Capital to DANA	3.42%	3.41%
Total Capital to DANA	6.35%	6.29%
Dividends to Gross Income	73.70%	80.62%
Operating Expenses to Gross Income	16.56%	12.41%
Net Interest Income to DANA	.327%	.312%
Operating Expenses to DANA	.302%	.295%
Net Income from Operations to DANA	.152%	.129%
Return on Equity	4.66%	3.98%

DANA = 12-month Daily Average Net Assets

Total Capital = Primary Capital + Member Capital Shares

Ratios are annualized.

NOTE—Audited Statements are available upon request

Operating Level & NEV Analysis:

Part 704 Operating Level: Base Level

Percent change in NEV for instantaneous changes in Interest Rates

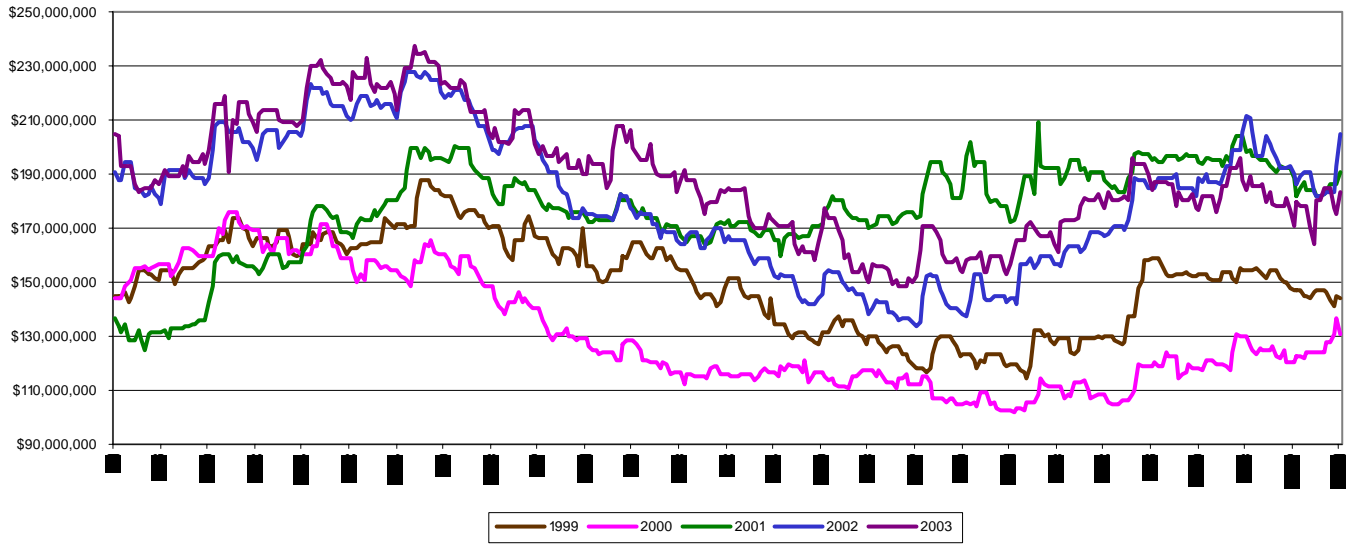
	<u>12/03</u>	<u>12/02**</u>	<u>12/01</u>	<u>12/00</u>
+3.00%	-4.54%	-4.16%	-8.89%	-3.45%
Base Ratio	6.54%	5.63%	3.11%	4.36%
-1.00% *	+1.53%	+1.33%	+1.67%	+2.31%

* Shocks for a 2.00% or 3.00% downward movement in rates were not done for 12/01, 12/02 or 12/03 due to low rate environment.

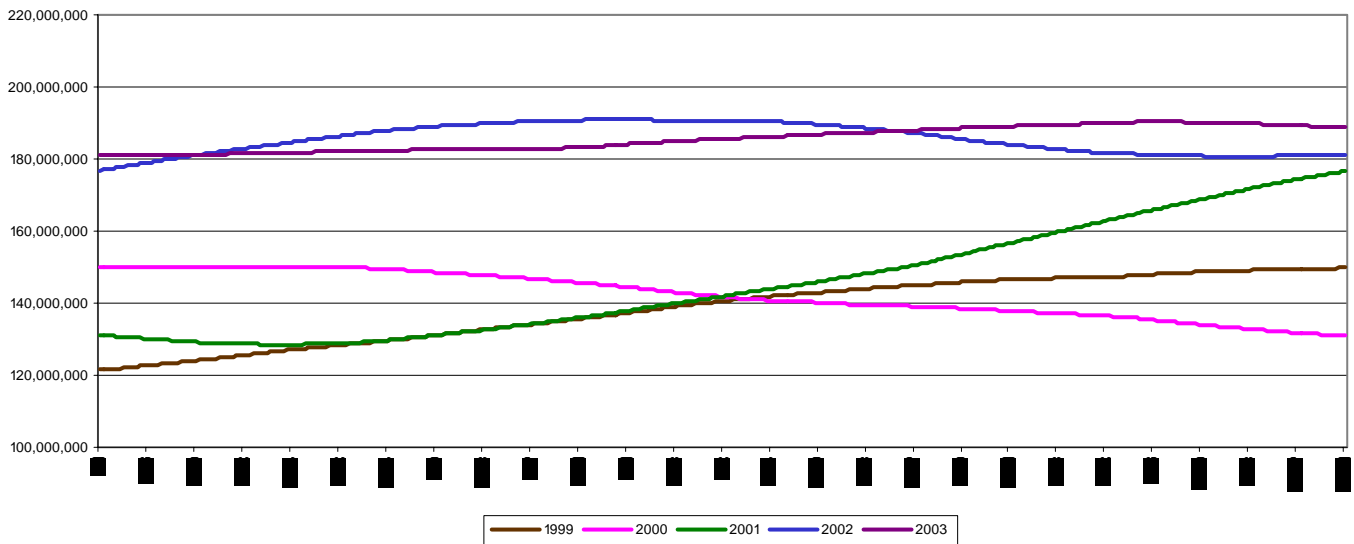
** Per revised NCUA Reg 704, NEV methodology effective 1/1/03, reflected in 12/02.

Net Economic Value (NEV) is the difference between the present value of our assets and our liabilities, divided by the present value of our assets. The percent change in different rate scenarios (i.e. +/- 300 basis points) indicates the interest rate sensitivity we currently maintain. For Base Level Operating Authority, NCUA Regulation Part 704 permits a percent change in a corporate credit union's NEV up to 15.00% and requires that the NEV ratio is maintained at a minimum of 2.00% during rate shock tests.

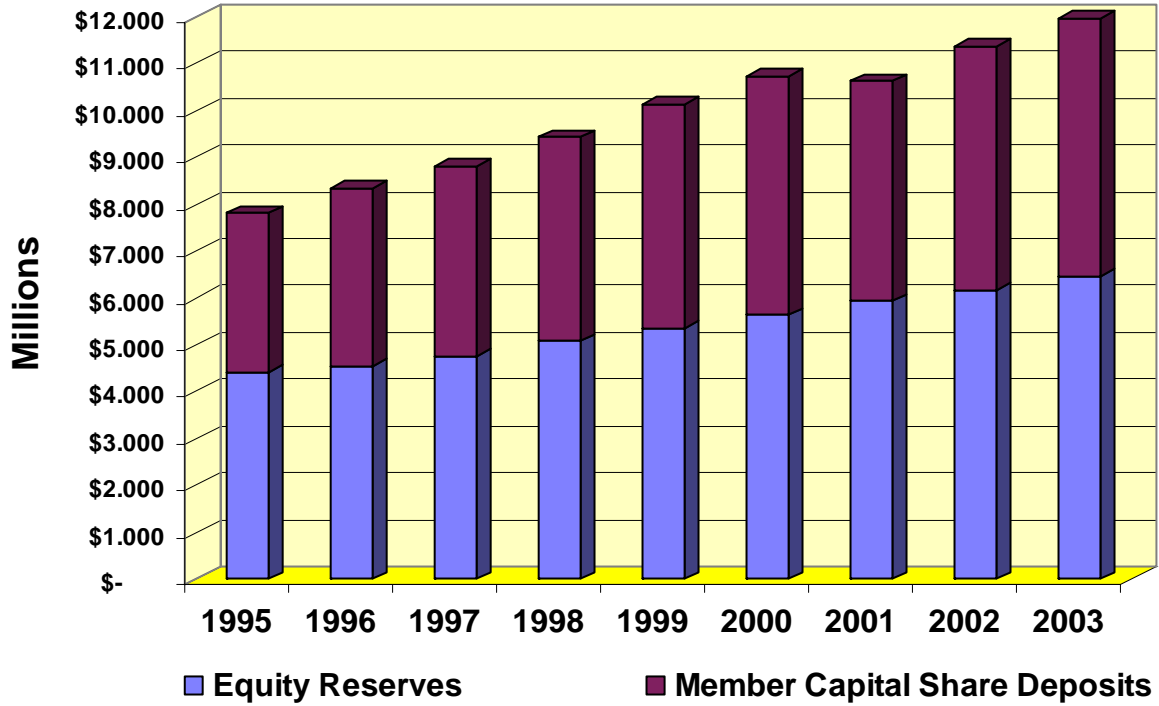
MCFCU Net Assets - Year over Year



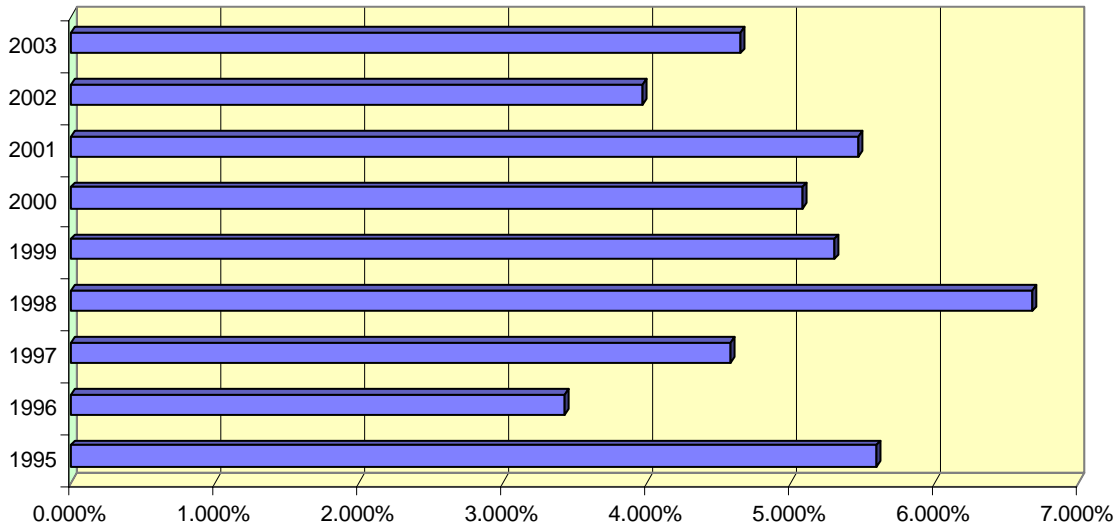
MCFCU 12-month Moving DANA - Year over Year



MCFCU Capital Trends



MCFCU Annual Equity Growth



	Dec-95	Dec-96	Dec-97	Dec-98	Dec-99	Dec-00	Dec-01	Dec-02	Dec-03
Equity	5.596%	3.429%	4.578%	6.675%	5.310%	5.080%	5.470%	3.970%	4.655%

Supervisory Committee Report

The Supervisory Committee continued to engage Brady, Martz & Associates, P.C. to conduct the 2003 annual audit which resulted in an unqualified opinion being issued with no findings or adjustments (copies of the audited financial statements are available upon request by calling 800/852-2677). In addition, Brady, Martz & Associates, P.C. was again engaged to perform various agreed upon procedures quarterly to supplement the internal audit work done by the staff accountant and the Committee. The reports from these agreed upon procedures were all positive.

Throughout the year, the Committee members perform various reviews monthly. The results from these reviews were all positive.

The Committee is pleased to report that the internal control systems in place at Midwest Corporate are appropriate and functioning as intended.

The Committee wishes to thank the management and staff of Midwest Corporate for their cooperation and dedicated service.

Respectfully Submitted,

Mindee Kohlman

Prairie Federal Credit Union

Doreen Ottemoeller

Capital Credit Union

Patricia Mathisen

St. Alexius Medical Center Credit Union

Credit Committee Report

The Credit Committee meets on an as needed basis to review lines of credit changes, unusual items, and loan requests that are outside the authority of the loan officers. In addition, the committee met twice in 2003 to review all approved lines of credit.

Loan reviews include an analysis of financial condition, local economic conditions, checking the files for proper documentation, etc. Information used for the reviews is supplied by the member-borrower, as well as outside sources.

As of December 31, 2003, 51 members had approved advised lines of credit, with limits totaling \$105.5 million.

During the year, 168 line of credit advances were made resulting in \$48.4 million being advanced. In addition, five members took advantage of our term loan program with \$8.0 million being disbursed.

No loans became delinquent or were classified during 2003.

It has been our pleasure to serve on the Credit Committee, and we wish to thank our loan officers, Trudy Wise and Doug Wolf, for their efforts during 2003. We encourage any member who may have questions regarding credit services to contact the loan officers.

Respectfully Submitted,

Paul Brucker

Railway Credit Union

Ron Schulz

New Salem Credit Union

Al Schwandt

St. Alexius Medical Center Credit Union

Investment Services

- ◆ Variable-Rate High Yield Overnight Investment/Settlement Account
- ◆ Variable-Rate 90-Day Notice Account
- ◆ Variable-Rate Membership Capital Share Deposit Account
- ◆ Floating-Rate Term Certificates (FRAPs)
- ◆ Fixed-Rate Term Certificates
- ◆ Callable Fixed-Rate Certificates
- ◆ Step-Up Rate Callable Certificates
- ◆ SimpliCD
- ◆ CNBS (Broker/Dealer & ALM Services)

Liquidity Services

- ◆ Variable-Rate Advised Line of Credit
- ◆ Variable-Rate Committed Line of Credit
- ◆ Variable-Rate Term Loans
- ◆ Fixed-Rate Term Loans
- ◆ Loan Pool Purchases (through CharlieMac)
- ◆ Central Liquidity Facility (CLF)

Correspondent Services

- ◆ ACH Services - APEX-ACH
- ◆ Cash Concentration
- ◆ Check Collection
- ◆ Card Services **
- ◆ Coin & Currency *
- ◆ Corporate Connection on-line Account Management
- ◆ Corporate Share Drafts *
- ◆ Credit Union-to-Credit Union Transfers
- ◆ Electronic Bill Payment (eBP) Solutions **
- ◆ Financial Planning for Your Members **
- ◆ Foreign Currency
- ◆ Item Processing **
- ◆ Member Loan Participation Transfers
- ◆ Reverse Repurchase Agreements
- ◆ Savings Bonds *
- ◆ Security Settlement & Safekeeping
- ◆ Treasury, Tax, & Loan Program (TT&L) *
- ◆ Web Site Hosting/Development **
- ◆ Wire Transfers

* *These services are only available to members within Midwest Corporate's primary service area of North Dakota, South Dakota, Western Minnesota, and Eastern Montana.*

** *Service provided through a business partner organization.*



Our Mission

The mission of Midwest Corporate Federal Credit Union is to serve members by promoting value-added financial and correspondent services consistent with safety and soundness principles.

Our Vision

Midwest Corporate Federal Credit Union, through cooperative efforts, will be a thriving organization leveraging its resources wisely to provide leadership, support services, and innovative solutions to meet credit union financial needs.

Midwest Corporate Federal Credit Union will only succeed through sound business values based on respect, integrity, honesty, commitment, and world-class service. In addition, we expect our business partners to embrace these same values.

Midwest Corporate Federal Credit Union will work cooperatively with credit union leagues and other credit union organizations to support credit unions locally and nationally.

Midwest Corporate Federal Credit Union will be an advocate for its member credit unions, both locally and nationally, on issues important to them.



Midwest Corporate
FEDERAL CREDIT UNION
Service & Solutions

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