



Your

Best

Bet

Midwest Corporate FCU

2004 Annual Report

MIDWEST CORPORATE FCU

Board of Directors

Denton Zubke, Chair, District 1 (Roughrider) (2007) Dakota West CU
Debra Gallagher, Vice Chair, District 3 (Missouri Valley) (2005) Capital 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
Mindee Kohlman, Director, District 2 (Souris Valley) (2005) Prairie Federal CU
Cheryl Malm, Director, District 6 (Maurie C. Byrne) (2006) Med Park CU
Eric Musland, Director, District 5 (James Valley) (2007) LaMoure CU

Asset-Liability Committee

Denton Zubke, Chair Dakota West Credit Union
Darwin Brokke Citizens Community Credit Union
Debra Gallagher Capital 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
Debra Gallagher Capital Credit Union

Supervisory Committee

Mindee Kohlman, Chair Prairie Federal Credit Union
Pamela Katin-Vetter Railway Credit Union
Doreen Ottemoeller Capital Credit Union

Staff

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

Report of the Chairman and the President

Midwest Corporate focused on services in 2004. New services were introduced and existing services were enhanced.

We introduced our “Members Only” website that has opened a whole new world of possibilities for enhancing services. Its introduction enabled members to order cash and wire transfers via the Internet. This service’s security features includes giving members control over who on their staff may perform these functions, as well as establishing the parameters for their own staff.



Denton Zubke, Chairman

As part of our ongoing search for business partners, we were able to partner with Missouri Corporate Credit Union to bring Western Union money transfer services to our members and our members’ members.

Through conversations with one member credit union in Fargo, North Dakota, we were able to bring our ability to act as an aggregator to bear upon the pricing of armored courier services on behalf of all members in the Fargo area. We continue to explore expanding this service arrangement.

2004 also brought a first for Midwest Corporate, a \$2 million loan pool purchase through CharlieMac, a CUSO of U.S. Central Credit Union. The purchase fulfilled the member credit union’s specific need for liquidity while allowing them to continue to service the loans and earn

fee income for doing so.

APEX-ACH took off in 2004 as more credit unions are finding the advantages of this service. Among the advantages is allowing them to offer ACH originations to member organizations for such things as payroll direct deposit and credit collections.

Bringing new services to market, and enhancing existing ones, is also attracting new members. We see this strategy of improving services and bringing to market new business partners as the future for Midwest Corporate. Through this strategy, we are able to keep our operating costs low while being able to offer our members all the services needed, as well as those services members may need in the future.

We strive to position Midwest Corporate as your first choice in looking for services and we believe we are doing just that. However, we are doing this only through the dedication of your Board of Directors, committee members, and our staff, and we wish to thank each and every one of them.



Doug Wolf, President/CEO

We recognize that we must constantly build the relationships we have established with our members, and in 2005, we are taking steps to do just that with such things as our first-ever annual meeting and member conference separate from any league meeting and with increased member contacts. Our member conference will give us an opportunity to improve member awareness of all of our services and it will provide educational sessions for our members. Our enhanced system of member contacts will enable us to better anticipate needed new services and where we can improve upon the ones we have. There is nothing that distinguishes Midwest Corporate from other providers more than our ability to know each member better than anyone and having our members trust that we will do whatever we can to meet their needs.

Overall, 2004 was another exciting year for Midwest Corporate. Service improvements, strong financial performance, and our focus on our members have truly made Midwest Corporate *Your Best Bet!*

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 2004 at \$6.7 million, with capital increasing 4.4% for the year. Despite the continued low rate environment, our net income for the year exceeded our budget and interim projections, ending the year at \$286,628.

We continue to return to our members most of our income in the form of dividends. In 2004, we returned 71.6% of our interest income and 65.6% of our gross income to our members. This included a special dividend of over \$29,000 paid to our Membership Capital Share Deposit account holders.

Operating expenses in 2004 came in at \$627,020 which was \$53,874 over the 2003 level, or 9.39% higher, but was under our budget forecast by \$16,821. The bulk of the expense increase came from our increased staff size in 2004. The overall operating expense compared to our gross income was only 18.9%, and when calculated as a percentage of our 12-month Daily Average Net Assets (DANA), our operating expenses came in at 0.38% in 2004 versus 0.30% in 2003. When compared to other corporate credit unions, Midwest Corporate continues to be among the most efficiently run corporate credit unions in the country.

Our DANA ended the year 2004 at \$163.5 million, down from \$188.9 the year before, a decline of 13.4%. This decline, in conjunction with our increased equity, brought our total capital to DANA ratio to 7.69% for the year ended December 31, 2004, up 134 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 2004 remained well within regulatory and policy limits.

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. In 2005 we expect to experience a rising rate environment and continued tight liquidity for our members. These pressures should prove to be challenging for Midwest Corporate, but our commitment to controlling costs and actively managing the balance sheet should result in positive financial results.

Respectfully Submitted,

Duane Lund

Treasurer

Midwest Corporate Federal Credit Union Midwest Corporate Federal Credit Union

Statement of Financial Condition

(unaudited)

Assets	12/31/04	12/31/03
Cash & Cash Equivalents	\$ 2,015,574	\$ 3,235,626
Loans to Members	14,503,803	3,246,152
Investments	138,249,603	164,397,283
Securities Purchased Under		
Agreements to Resell	- 0 -	- 0 -
Investments in Corporate CUSOs	299,980	299,980
NCUSIF Deposit	54,250	56,925
Interest Receivable	434,540	344,499
Future Dated ACH	12,170,920	14,467,462
Other Assets	<u>93,843</u>	<u>141,455</u>
Total Assets	<u>\$167,822,514</u>	<u>\$186,189,383</u>
 <i>Liabilities & Equity</i>		
<i>Liabilities</i>		
Notes Payable	\$ 6,800,000	\$ 3,168,332
Securities Sold Under		
Agreements to Repurchase	- 0 -	- 0 -
Interest Payable	133,455	44,447
Future Dated ACH	12,170,920	14,467,462
Other Liabilities	<u>52,383</u>	<u>46,202</u>
Total Liabilities	<u>\$ 19,156,757</u>	<u>\$ 17,726,443</u>
 <i>Shares</i>		
Share Accounts	\$ 79,548,482	\$111,184,779
Certificates of Deposit	56,547,000	45,290,911
Member Capital Shares	<u>5,821,918</u>	<u>5,525,053</u>
Total Shares	<u>\$141,917,400</u>	<u>\$162,000,742</u>
 <i>Equity</i>		
Regular Reserve	\$ 3,087,718	\$ 3,087,718
Other Reserves	- 0 -	104,980
Unrealized Gain(Loss)		
on AFS Investments	585	1,053
Undivided Earnings	3,373,426	2,981,030
Net Income	<u>286,628</u>	<u>287,416</u>
Total Primary Equity	<u>\$ 6,748,357</u>	<u>\$ 6,462,197</u>
Total Liab. & Equity	<u>\$167,822,514</u>	<u>\$186,189,383</u>
 <i>12-month Average</i>		
Daily Net Assets	<u>\$163,532,055</u>	<u>\$188,915,340</u>

NOTE—Audited Statements are available upon request

Statement of Income

(unaudited)

Year-to-Date	12/04	12/03
<i>Interest Income</i>		
Interest on Loans	\$ 309,328	\$ 60,617
Interest on Investments	<u>2,723,858</u>	<u>3,158,734</u>
Total Interest Income	<u>\$3,033,186</u>	<u>\$3,219,351</u>
 <i>Interest Expense</i>		
Interest on Deposits	\$2,172,879	\$2,551,566
Interest on Borrowed Funds	<u>230,068</u>	<u>49,776</u>
Total Interest Expense	<u>\$2,402,947</u>	<u>\$2,601,342</u>
Net Interest Income	\$ 630,239	\$ 618,009
 <i>Fee Income</i>		
	279,235	242,553
 <i>Operating Expenses</i>		
	<u>627,020</u>	<u>573,146</u>
Net Income from Operations	\$ 282,454	\$ 287,416
 <i>Non-Operating Gains(Losses)</i>		
	<u>4,174</u>	<u>- 0 -</u>
Net Income	<u>\$ 286,628</u>	<u>\$ 287,416</u>

Ratios

	12/04	12/03
Primary Capital to DANA	4.13%	3.42%
Total Capital to DANA	7.69%	6.35%
Dividends to Gross Income	65.60%	73.70%
Operating Expenses to Gross Income	18.93%	16.56%
Net Interest Income to DANA	.384%	.327%
Operating Expenses to DANA	.302%	.302%
Net Income from Operations to DANA	.172%	.152%
Return on Equity	4.37%	4.66%

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

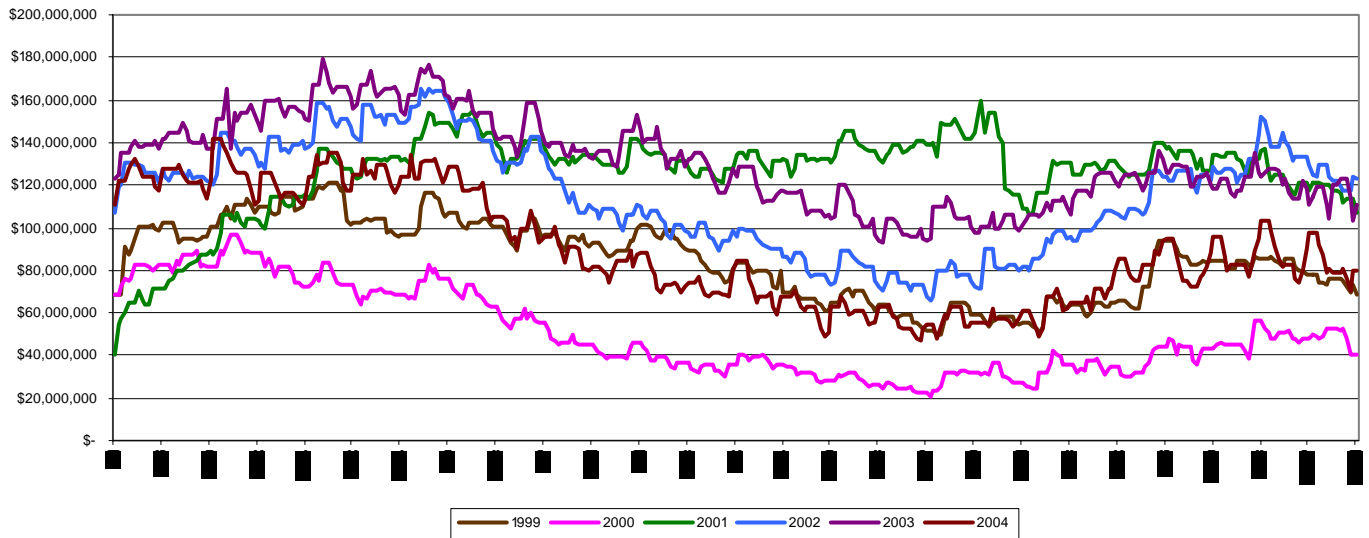
Percent change in NEV for instantaneous changes in Interest Rates

	<u>12/03</u>	<u>12/02**</u>	<u>12/02</u>
+3.00%	-4.67%	-4.54%	-4.16%
Base Ratio	7.59%	6.54%	5.63%
-1.00% *	+1.59%	+1.53%	+1.33%
-2.00% *	+3.28%	N/A	N/A

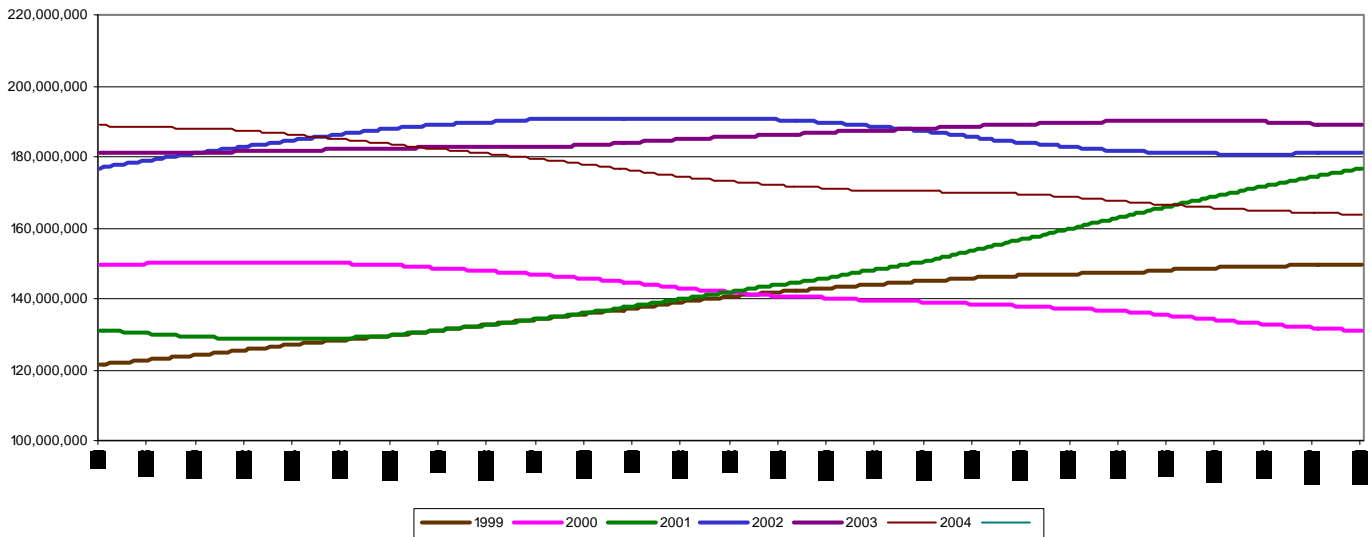
* Shocks for a 2.00% or 3.00% downward movement in rates were not done for 12/02 or 12/03 due to low rate environment. Shock for a 3.00% downward movement were not done for 12/04 due to low rate environment.

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.

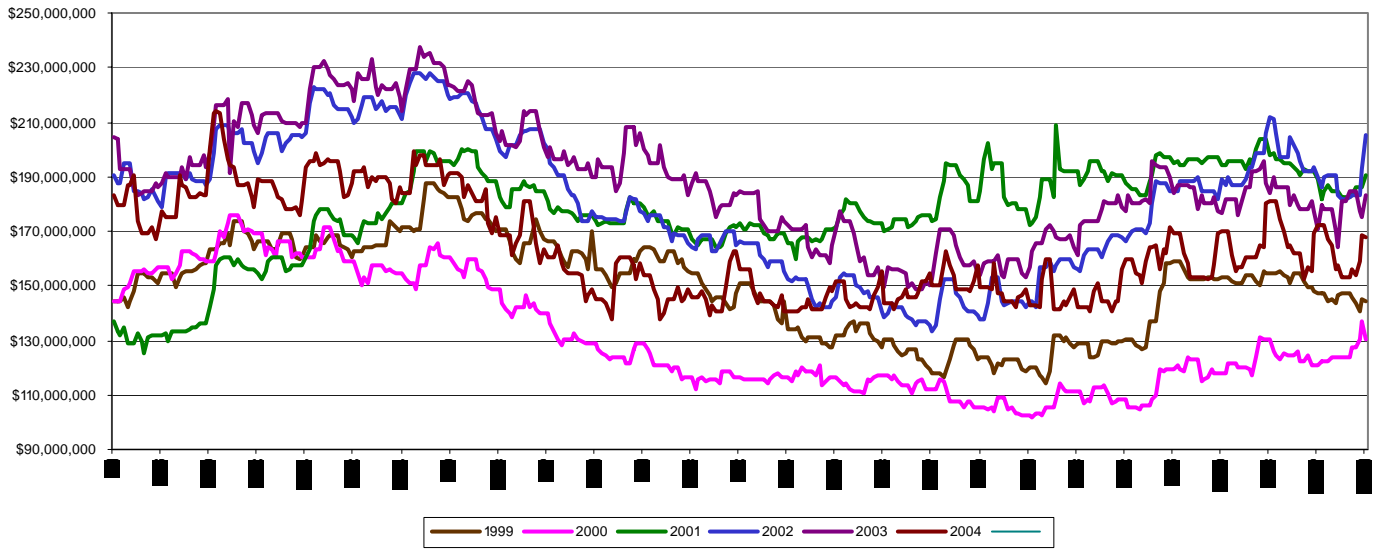
MCFCU Overnight Member Deposits - Year over Year



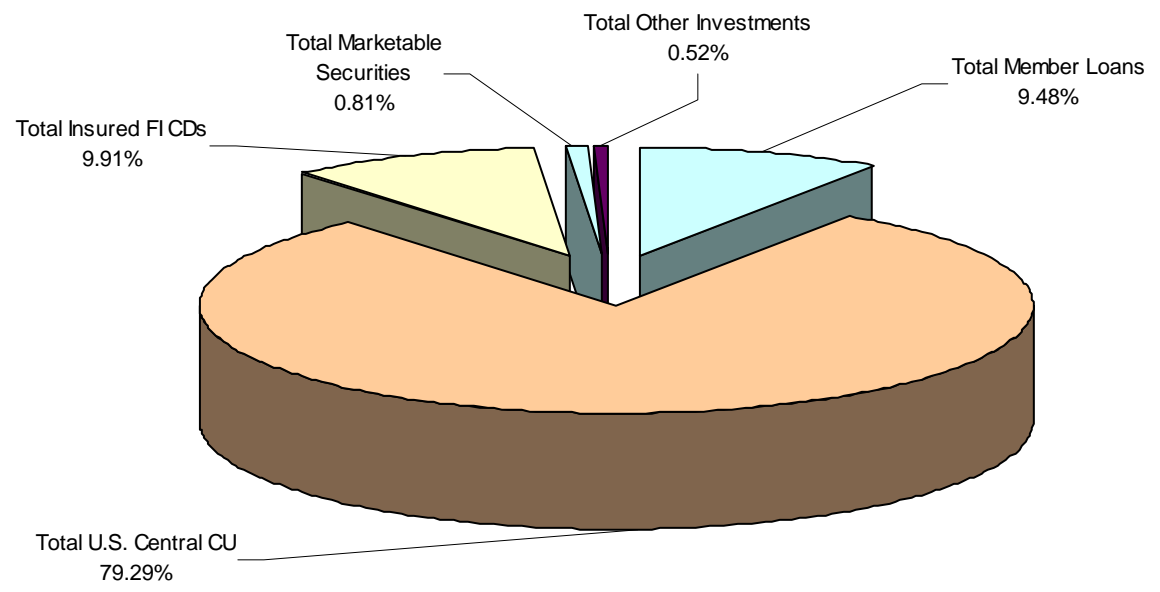
MCFCU 12-month Moving DANA - Year over Year



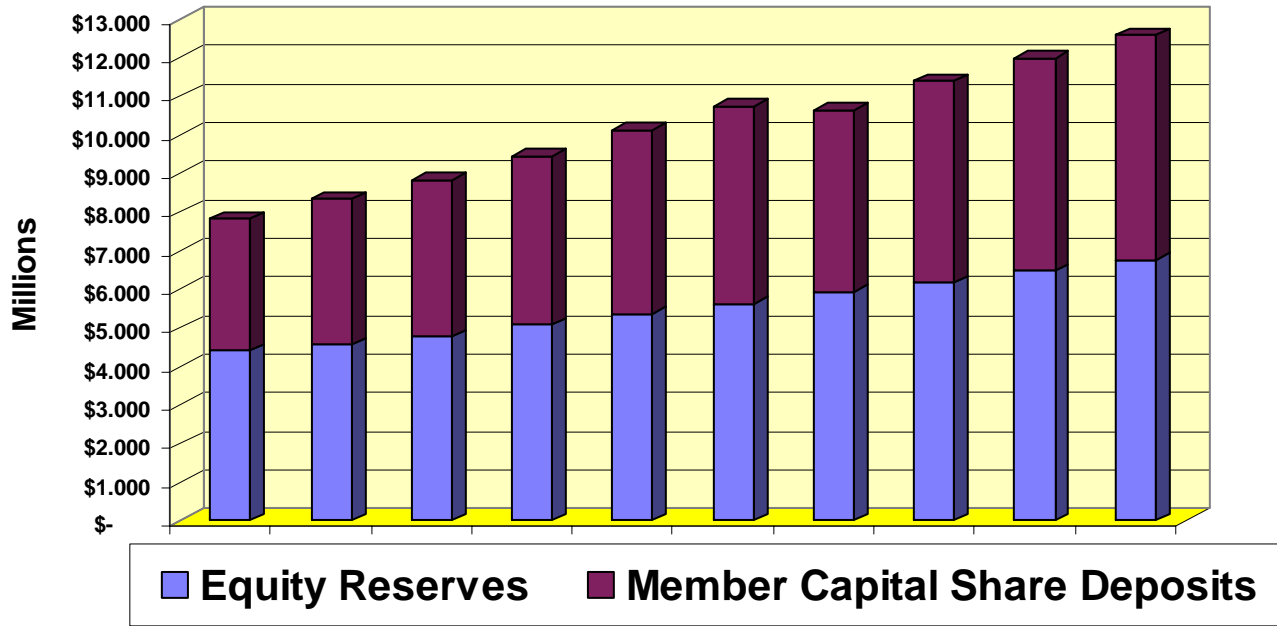
MCFCU Net Assets - Year over Year



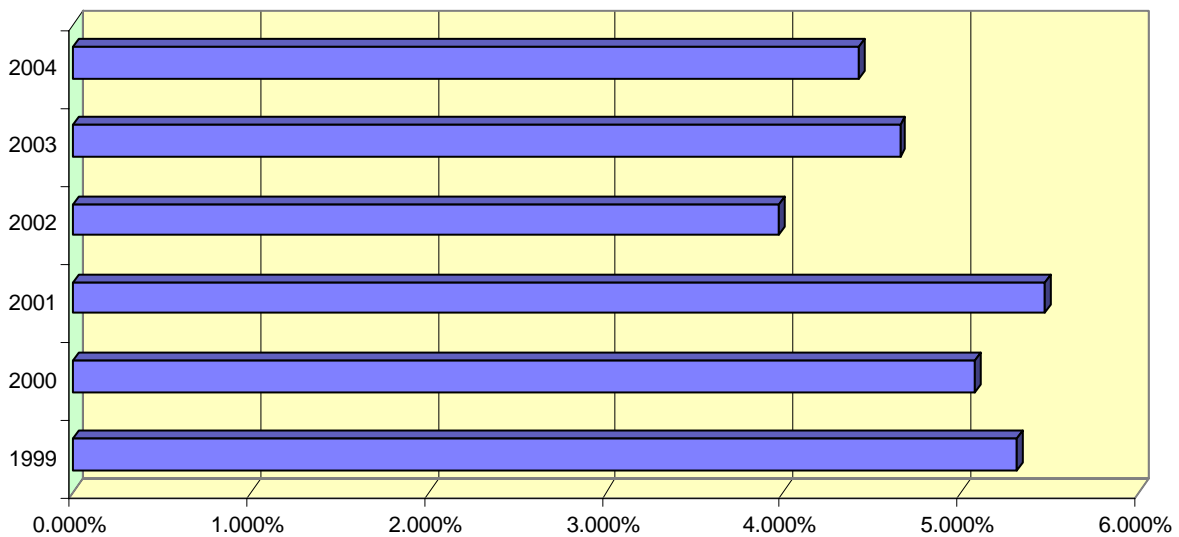
Midwest Corporate FCU Total Investments by Category as of 12/31/04



Capital Trends



Annual Equity Growth



	1999	2000	2001	2002	2003	2004
Equity Growth	5.310%	5.080%	5.470%	3.970%	4.655%	4.420%

Supervisory Committee Report

The Supervisory Committee continued to engage Brady, Martz & Associates, P.C., to conduct the 2004 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, or on our website at www.midwestcorporatetcu.org). 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 performed 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

Pamela Katin-Vetter

Railway 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.

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, 2004, 52 members had approved advised lines of credit, with limits totaling \$120.3 million.

During the year, 849 line of credit advances were made resulting in \$116.5 million being advanced.

Term loan activity was strong in 2004 with six members advancing a total of 31 loans for \$27.7 million in advances.

In addition, one letter of credit was issued in conjunction with a loan pool purchase by CharlieMac from one of our members.

No loans became delinquent or were classified during 2004.

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 2004. We encourage any member who may have questions regarding credit services to contact the loan officers.

Respectfully Submitted,

Paul Brucker

Railway Credit Union

Ron Schultz

New Salem Credit Union

Debra Gallagher

Capital 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) *
- ◆ Website 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 valued services. 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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