

Meeting Member Needs ...

... Every Day!



2008 Annual Report

MIDWEST CORPORATE FCU

Board of Directors

Debra Gallagher, Chair, District 3 (Missouri Valley) (2011) Capital Credit Union
Eric Musland, Vice Chair, District 5 (James Valley) (2010) Citizens Community Credit Union
Cheryl Malm, Sec./Treasurer, District 6 (Maurie C. Byrne) (2009) Med Park Credit Union
Darwin Brokke, Vice Chair, District 4 (North Central) (2009) Citizens Community Credit Union
Jay Landsiedel, Director, District 2 (Souris Valley) (2011) Town & Country Credit Union
Scott Scwhindt, Director, District 1 (Roughrider) (2010) Western Cooperative Credit Union
Vacant, Director, District 7 (Red River) (2011) Open Seat

Asset-Liability Committee

Debra Gallagher, Chair Capital Credit Union
Darwin Brokke Citizens Community Credit Union
Mindee Kohlman Prairie Federal Credit Union
Eric Musland LaMoure Credit Union
Douglas Wolf Midwest Corporate Federal Credit Union

Credit Committee

Paul Brucker, Chair Railway Credit Union
Debra Gallagher Capital Credit Union
Ron Schulz New Salem Credit Union

Supervisory Committee

Jay Landsiedel, Chair Town & Country Credit Union
Mindee Kohlman Prairie Federal Credit Union
Doreen Ottemoeller Capital Credit Union

Staff

Douglas Wolf President / CEO
Trudy Wise Vice President / COO
Chad Bartosh Director of Technology & Business Development / CTO
Jody Braunberger Senior Service Consultant
Shawn Marie Brummer Service Consultant
Kelli Neigum Service Consultant
Cindy Weigel Accountant
Wendy Laber Senior Check Processing Specialist
Melissa Sporer Check Processing Specialist

2008 Report of the Chairman and the President

2008 was an interesting and good year for Midwest Corporate with new services and good financial performance.

Turmoil within the financial markets continued to escalate in 2008 and the corporate credit union network began to feel the effects. However, Midwest Corporate, following a strategy to minimize risk exposure within the balance sheet, remained insulated from direct negative impacts of these dislocated markets in 2008.

Midwest Corporate remains very efficiently run and focused on providing outstanding service to our members.

This efficiency has allowed us to return 87.5% of our interest income to our members in the form of dividends, while growing reserves and undivided earnings by 6.41%

The most significant change in 2008 was the acquisition of ProDraft Check Services from the Mid-America Credit Union Association on March 1, 2008. This acquisition was the result of months of negotiations that began in 2007. The service rounds out Midwest Corporate's menu of correspondent services and we believe that the acquisition will not only solidify our relationships with our members, but, that it also provides many opportunities for growth.

Subsequent to year end 2008, a number of actions were taken by the NCUA to resolve issues within the corporate credit union network relating to significant problems within the investment portfolios of the largest corporate credit unions. These actions are resulting in expenses for all credit unions and we are continuously reviewing these developments to assess the effects on Midwest Corporate and its members. We will continue to communicate to our members these developments and the results of our assessments.

Continuation of low market rates, the financial crisis, and NCUA actions will all lead to a very difficult year for Midwest Corporate in 2009. The Board, committees, management, and staff will continue to address the issues confronting Midwest Corporate to minimize any negative impacts on our members and to insure service can be continued well into the future.

Member confidence and support in the coming months and years will be the key to our success. We know that Midwest Corporate has provided vital, cost efficient services in the past and we will continue to do so. However, the current environment is perhaps the most difficult one we have ever found ourselves in over the 67 years that we have existed. Member support will be essential as we work through these issues and challenges.

Continued member involvement remains a key to our success. Serving on the Board of Directors and committees is the cornerstone of our cooperative form of governance. To this end, the Board is considering a change as to how the Board is elected. This change will insure that we will continue to have a majority of the Board from our primary service area of North Dakota, while we provide opportunities for all members who are interested in serving.

We would like to acknowledge the dedication of Midwest Corporate's staff that provides the day-to-day services to our members and carryout the vision of Midwest Corporate. They have the gratitude of our members and officials and we acknowledge their strategic importance in what we do.

We also wish to acknowledge the dedication and leadership that is provided by both the Board of Directors and management. 2008 has required tireless dedication and 2009 will be even more demanding. They consistently give of themselves and we cannot thank them enough.

Finally, we want to personally thank you, our members, for your on-going support. We resolve to continue to meet our mission and values and to fulfill our motto of "Meeting Member Needs ... Every Day!"

Respectfully Submitted,

Debra Gallagher

Chairman

Douglas C. Wolf

President/CEO

2008 Treasurer's Report

I am pleased to report that Midwest Corporate continues to operate under conservative financial management principles that assure stability and financial strength.

Our equity reserves ended 2008 at \$7.9 million, with capital increasing 5.55% for the year.

Member deposits ended the year of 2008 at \$185.1 million, down from \$289.3 million the year before, and the 12-month Daily Average Net Assets (DANA) as of December 31, 2008 was \$268.0 million, up \$9.0 million from December 31, 2007.

We continued to return to our members most of our income in the form of dividends. In 2008, we returned 87.5% of our interest income and 80.5% of our gross income to our members.

Operating expenses in 2008 compared to our gross income was only 14.5%, and when calculated as a percentage of our DANA, our operating expenses came in at 0.50% in 2008. These numbers are a bit higher than in prior years primarily due to the effects of the ProDraft acquisition.

In December 2008, the Board of Directors took a voluntary write-down of the value of the CUSO investment in CNBS, LLC of \$64,980. The write-down was to bring the carrying value more in line with what is believed to be the on-going concern value of CNBS, LLC.

We ended 2008 with net income of \$414,607. This translates to a 0.15% return on DANA in 2008 compared to a 0.14% return in 2007 and a 0.09% return in 2006. However, the net income from operations was \$479,587 and this translates into a return on DANA of 17.8%.

Midwest Corporate ended 2008 with a total capital to DANA ratio to 5.46% (the NCUA regulatory requirement is 4.00%). Midwest Corporate's equity reserves to DANA ended 2008 at 2.94% compared with 2.88% one year earlier.

We continue to maintain a low risk balance sheet, and our net economic value (NEV) analysis throughout 2008 remained well within regulatory and policy limits.

Recent Actions in the First quarter of 2009 by the NCUA, in conjunction with already expected tighter margins, will likely mean lower net income levels in 2009.

Overall, Midwest Corporate remains financially sound. Regulatory capital levels are being exceeded and balance sheet risk levels are being kept to a minimum. As always, Midwest Corporate stands financially ready to meet the challenges ahead and to meet the needs of our members.

Respectfully Submitted,

Cheryl Malm

Treasurer

Midwest Corporate FCU

Statement of Financial Condition

(unaudited)

Assets	12/31/08	12/31/07
Cash & Cash Equivalents	\$ 2,911,909	\$ 3,289,091
Loans to Members	6,314,378	6,722
Investments	181,785,340	291,668,731
Securities Purchased Under Agreements to Resell	- 0 -	- 0 -
Investments in Corporate CUSOs	225,000	289,980
NCUSIF Deposit	55,760	50,645
Interest Receivable	1,066,513	2,657,723
Future Dated ACH	- 0 -	10,065,626
Other Assets	<u>498,244</u>	<u>101,967</u>
Total Assets	<u>\$192,857,144</u>	<u>\$308,240,747</u>
Liabilities & Equity		
Liabilities		
Notes Payable	\$ - 0 -	\$ - 0 -
Securities Sold Under Agreements to Repurchase	- 0 -	- 0 -
Interest Payable	517,841	1,349,306
Future Dated ACH	- 0 -	10,065,626
Other Liabilities	<u>97,169</u>	<u>59,598</u>
Total Liabilities	<u>\$ 615,010</u>	<u>\$ 11,474,530</u>
Shares		
Share Accounts	\$ 72,012,866	\$122,241,729
Certificates of Deposit	106,327,000	160,643,500
Member Capital Shares	<u>6,764,195</u>	<u>6,422,241</u>
Total Shares	<u>\$185,104,061</u>	<u>\$289,307,470</u>
Equity		
Regular Reserve	\$ 3,087,718	\$ 3,087,718
Other Reserves	- 0 -	- 0 -
Undivided Earnings	4,376,408	4,005,237
Net Income	<u>414,607</u>	<u>371,171</u>
Total Capital	<u>\$ 7,138,073</u>	<u>\$ 7,458,747</u>
Unrealized Gain(Loss) on AFS Investments	<u>(740,660)</u>	<u>(5,378)</u>
Total Members' Equity	<u>\$ 7,138,073</u>	<u>\$ 7,458,747</u>
Total Liab. & Equity	<u>\$192,857,144</u>	<u>\$308,240,747</u>
12-month Average		
Daily Net Assets	<u>\$285,928,125</u>	<u>\$259,017,673</u>
Available for Sale Investments	<u>\$ 7,089,599</u>	<u>\$ 3,179,585</u>

Midwest Corporate Federal Credit Union

Statement of Income

(unaudited)

Year-to-Date	12/08	12/07
Interest Income		
Interest on Loans	\$ 83,181	\$ 124,943
Interest on Investments	<u>8,692,676</u>	<u>13,209,249</u>
Total Interest Income	<u>\$8,775,857</u>	<u>\$13,334,192</u>
Interest Expense		
Interest on Deposits	\$7,682,016	\$12,484,269
Interest on Borrowed Funds	<u>2,916</u>	<u>50,554</u>
Total Interest Expense	<u>\$7,684,932</u>	<u>\$12,484,824</u>
Net Interest Income	\$1,090,925	\$ 849,368
Fee Income	771,100	392,218
Operating Expenses	<u>1,382,438</u>	<u>870,415</u>
Net Income from Operations	\$ 479,587	\$ 371,171
Non-Operating Gains (Losses)	(64,980)	- 0 -
Net Income	<u>\$ 414,607</u>	<u>\$ 371,171</u>

Ratios

	12/08	12/07
Primary Capital to DANA	2.94%	2.88%
Total Capital to DANA	5.46%	5.36%
Dividends to Gross Income	80.47%	90.59%
Operating Expenses to Gross Income	14.48%	6.34%
Net Interest Income to DANA	.405%	.328%
Operating Expenses to DANA	.500%	.347%
Net Income from Operations to DANA	.178%	.143%
Return on Equity	6.41%	5.23%

DANA = 12-month Daily Average Net Assets

Total Capital = Primary Capital + Member Capital Shares

Ratios are annualized.

Midwest Corporate FCU

Investment Portfolio Distribution

All Investments:	12/08	12/07	12/06
U.S. Central Credit Union	88.7%	93.5%	93.1%
U.S. Gov't. Agency Bonds	0.0%	0.0%	1.0%
Asset-Backed Securities (AAA)	3.4%	2.4%	0.0%
Other Financial Institutions	3.5%	3.9%	2.0%
All Member Loans	3.3%	0.0%	3.0%
Other Investments	1.1%	0.2%	0.9%
Investments in			
U.S. Central Credit Union:	12/08	12/07	12/06
Overnight	9.3%	24.1%	24.1%
Certificates of Deposit			
Fixed Rate	57.7%	51.8%	51.8%
Variable Rate	15.5%	16.8%	16.8%
Structured	9.4%	3.7%	3.7%
Member Capital Shares & Paid-in-Capital	8.1%	3.6%	3.6%
Other	0.0%	0.0%	0.0%

Net Economic Value Analysis

Percent change in NEV for instantaneous changes in Interest Rates

	12/08	12/07	12/06	12/05
+3.00%	-4.35%	-2.18%	-1.72%	-3.13%
Base Ratio	7.05%	4.56%	5.81%	8.21%
-1.00% *	N/A	+0.79%	+0.55%	+1.09%
-2.00% *	N/A	+1.62%	+1.12%	+2.19%
-3.00% *	N/A	+2.48%	+1.72%	+3.37%

* Shocks for a 3.00% and 2.00% downward movement was not done for 3/08 due to the very low rate environment at that time.

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.

2008 Supervisory Committee Report

The Supervisory Committee continued to engage Brady, Martz & Associates, P.C., to conduct the 2008 annual audit. At the time of this writing, the final opinion audit report had not been issued, but, we can report that there were no adjustments (after they are issued by the CPA firm, copies of the audited financial statements will be 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 control 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. There were no significant areas of concern noted during these reviews.

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,

Jay Landsiedel

Town & Country Credit Union

Mindee Kohlman

Prairie Federal Credit Union

Doreen Ottemoeller

Capital Credit Union

2008 Credit Committee Report

The Credit Committee meets on a regular basis to review line of credit approvals and changes, unusual items, and loan requests that are outside the authority of the loan officers.

As of December 31, 2008, 48 members had approved advised lines of credit, with limits totaling \$150.4 million.

During the year, 252 line of credit advances were made resulting in \$117.3 million being advanced. This compares with 338 advances with \$67.5 million in funding in 2007 and 1,366 advances with \$169.4 million in funding in 2006.

Term loan activity in 2008 consisted of six loans for \$10.0 million in advances, compared to one loan for \$2.0 million in 2007 and two loans for \$2.0 million in advances in 2006.

Two letters of credit were approved in 2008 for two credit unions totaling \$75,000.00.

No loans became delinquent or were classified during 2008.

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 2008. 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

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
- ◆ Community Investment Fund Account (CIF)
- ◆ Floating-Rate Term Certificates (FRAPs)
- ◆ Fixed-Rate Term Certificates
- ◆ Callable Fixed-Rate Certificates
- ◆ Step-Up Rate Callable Certificates
- ◆ SimpliCD (CD Brokerage Services)
- ◆ 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
- ◆ SimpliCD (CD Brokerage Placement)
- ◆ Reverse Repurchase Agreements
- ◆ Loan Pool Purchases (through CharlieMac)
- ◆ Central Liquidity Facility (CLF)

Correspondent Services

- ◆ ACH Services - APEX-ACH
- ◆ Cash Concentration
- ◆ Check Collection / Remote Branch Capture
- ◆ Coin & Currency *
- ◆ Corporate Connection on-line Account Management
- ◆ Corporate Share Drafts
- ◆ Foreign Currency
- ◆ Item Processing
- ◆ Member Loan Participation Transfers
- ◆ Savings Bonds *
- ◆ Security Settlement & Safekeeping
- ◆ Treasury, Tax, & Loan Program (TT&L) *
- ◆ Western Union Money Transfers
- ◆ Wire Transfers

Other Services

- ◆ Consulting Services
- ◆ Educational Sessions
- ◆ Electronic Bill Payment (eBP) Solutions **
- ◆ Website Hosting/Development **

* 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

It is the mission of Midwest Corporate Federal Credit Union to be the best place for member credit unions to obtain loan, investment, and correspondent services.

Our Vision And Values

Midwest Corporate's vision is to be a locally-controlled corporate credit union which is the preferred provider of financial and correspondent services to credit unions.

Midwest Corporate will strive to be cost-efficient, to maintain enough capital to meet regulatory needs into the future, and to bring new and more efficient services to its member credit unions.

Midwest Corporate will operate under sound financial management principles.

Midwest Corporate will succeed through sound business values based on respect, integrity, honesty, commitment, and valued services. Midwest Corporate will hold its business partners to these same values.



Meeting Member Needs ... Every Day

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