

# *Financial Statement*

*as of*  
*September 30, 2008*



# Midwest Corporate FCU

## Statement of Financial Condition

(unaudited)

Assets	9/30/08	9/30/07
Cash & Cash Equivalents	\$ 3,203,153	\$ 3,429,207
Loans to Members	5,941,348	1,115,018
Investments	178,569,466	234,472,337
Securities Purchased Under		
Agreements to Resell	- 0 -	- 0 -
Investments in Corporate CUSOs	289,980	299,980
NCUSIF Deposit	54,071	50,432
Interest Receivable	1,224,599	2,843,934
Future Dated ACH	- 0 -	12,556,537
Other Assets	<u>524,686</u>	<u>121,680</u>
Total Assets	<u>\$189,807,303</u>	<u>\$254,879,125</u>
<b>Liabilities &amp; Equity</b>		
<b>Liabilities</b>		
Notes Payable	\$ - 0 -	\$ 1,000,000
Securities Sold Under		
Agreements to Repurchase	- 0 -	- 0 -
Interest Payable	520,308	1,655,742
Future Dated ACH	- 0 -	12,556,537
Other Liabilities	<u>97,789</u>	<u>61,386</u>
Total Liabilities	<u>\$ 618,097</u>	<u>\$ 15,273,665</u>
<b>Shares</b>		
Share Accounts	\$ 71,334,377	\$ 83,300,989
Certificates of Deposit	103,477,000	142,539,500
Member Capital Shares	<u>6,764,195</u>	<u>6,422,241</u>
Total Shares	<u>\$181,575,572</u>	<u>\$232,262,730</u>
<b>Equity</b>		
Regular Reserve	\$ 3,087,718	\$ 3,087,718
Other Reserves	- 0 -	- 0 -
Unrealized Gain(Loss)		
on AFS Investments	(216,380)	- 0 -
Undivided Earnings	4,376,408	4,005,237
Net Income	<u>365,889</u>	<u>249,776</u>
Total Primary Equity	<u>\$ 7,613,634</u>	<u>\$ 7,342,731</u>
Total Liab. & Equity	<u>\$189,807,303</u>	<u>\$254,879,125</u>
<b>12-month Average</b>		
Daily Net Assets	<u>\$285,928,125</u>	<u>\$237,329,947</u>
Available for Sale Investments	<u>\$ 7,089,599</u>	<u>\$ - 0 -</u>

# Midwest Corporate Federal Credit Union

## Statement of Income

(unaudited)

Year-to-Date	9/08	9/07
<b>Interest Income</b>		
Interest on Loans	\$ 43,914	\$ 113,607
Interest on Investments	<u>7,357,322</u>	<u>9,692,162</u>
Total Interest Income	<u>\$7,401,236</u>	<u>\$9,805,769</u>
<b>Interest Expense</b>		
Interest on Deposits	\$6,576,815	\$9,169,515
Interest on Borrowed Funds	<u>364</u>	<u>40,177</u>
Total Interest Expense	<u>\$6,577,179</u>	<u>\$9,209,692</u>
Net Interest Income	\$ 824,057	\$ 596,077
Fee Income	547,806	274,169
Operating Expenses	<u>1,005,974</u>	<u>620,470</u>
Net Income from Operations	\$ 365,889	\$ 249,776
Non-Operating Gains(Losses)	<u>- 0 -</u>	<u>- 0 -</u>
Net Income	<u>\$ 365,889</u>	<u>\$ 249,776</u>

### Ratios

	9/08	9/07
Primary Capital to DANA	2.74%	3.09%
Total Capital to DANA	5.10%	5.80%
Dividends to Gross Income	82.74%	90.97%
Operating Expenses to Gross Income	12.66%	6.16%
Net Interest Income to DANA	.380%	.317%
Operating Expenses to DANA	.464%	.349%
Net Income from Operations to DANA	.169%	.133%
Return on Equity	6.53%	4.71%

DANA = 12-month Daily Average Net Assets  
Total Capital = Primary Capital + Member Capital Shares

Ratios are annualized.

## Net Economic Value Analysis

Percent change in NEV for instantaneous changes in Interest Rates

	9/08	12/07	12/06	12/05
+3.00%	-4.02%	-2.18%	-1.72%	-3.13%
Base Ratio	5.78%	4.56%	5.81%	8.21%
-1.00% *	+1.41%	+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.

## Midwest Corporate FCU

### Investment Portfolio Distribution

All Investments:	9/08	12/07	12/06
U.S. Central Credit Union	86.7%	93.5%	93.1%
U.S. Gov't. Agency Bonds	0.0%	0.0%	1.0%
Asset-Backed Securities (AAA)	3.7%	2.4%	0.0%
Other Financial Institutions	5.4%	3.9%	2.0%
All Member Loans	3.2%	0.0%	3.0%
Other Investments	1.0%	0.2%	0.9%
<b>Investments in</b>			
U.S. Central Credit Union:	9/08	12/07	12/06
Overnight	6.3%	24.1%	24.1%
Certificates of Deposit			
Fixed Rate	60.0%	51.8%	51.8%
Variable Rate	18.6%	16.8%	16.8%
Structured	6.5%	3.7%	3.7%
Member Capital Shares & Paid-in-Capital	8.6%	3.6%	3.6%
Other	0.0%	0.0%	0.0%



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October 20, 2008

With all the turbulence within the financial markets over the past few months, and illiquidity in the mortgage investment market for the last year, I want to take this opportunity to review the financial condition of Midwest Corporate.

As you can see, we continue to operate a strong, conservative, low-risk balance sheet. We have not run into liquidity issues as our investment maturity structure has been able to handle member demand and we expect to be able to continue to meet member demand in this way with only minimal future borrowing.

Midwest Corporate holds no investments in, or has exposure to, Lehman Brothers, AIG, or mortgage related securities. In fact, Midwest's only investments outside of U.S. Central FCU are credit union member loans, SimpliCD federally-insured Certificates of Deposit, and four credit card asset-backed securities that have a total face value of only \$7.2 million.

Since we invest so much in U.S. Central FCU, we continuously monitor U.S. Central FCU for balance sheet risk, liquidity, and overall financial performance. As one would expect, U.S. Central FCU has been dealing with valuation issues of its marketable securities and the need to write-down the value on a few of them over the last 12 months. Despite this, U.S. Central FCU continues to hold ample reserves, have very good financial performance, and continues to maintain very high long-term credit ratings (AA+ from S&P, AA+ from Fitch, and Aa1 from Moody's).

As for our September 30, 2008 financial statements, I would like to highlight some items.

1. Our assets and shares are down notably from one year ago as loan demand at member credit unions have increased and many members have moved funds to our SimpliCD program. We anticipate this trend to continue, especially with the recent increase in federal deposit insurance levels.
2. Future Dated ACH transactions are no longer being recognized on our balance sheet. This was a regulatory requirement in the past that has been revoked effective January 1, 2008. The past effect of this transaction recording was to inflate assets without any risks as the liability side to the transactions were also recognized.
3. Fee income and operating expenses are notably higher than the prior year due to the effects of the ProDraft Check Services acquisition on March 1, 2008.
4. Our net income to date is 46.5% higher than the comparable period in 2007.
5. Our return on equity continues to be very strong at 6.53% on an annualized basis.
6. Our investment distribution has changed very little.
7. Our relatively low overnight investment balances as of September 30, 2008 is due to our members shifting funds to CDs, SimpliCD, and normal seasonality. We expect our overnight investment balances to grow throughout the fourth quarter of 2008.
8. Our NEV analysis continues to show low exposure to interest rate risk.

As always, if you have any questions regarding Midwest Corporate, please contact me any time at 800/852-2677.

Sincerely,

*Doug Wolf*

Douglas Wolf  
President/CEO