

Financial Statement
as of
December 31, 2008

The logo for Midwest Corporate Federal Credit Union features a teal-colored swoosh on the left side. The word "Midwest" is in a bold, black, sans-serif font, and "Corporate" is in a larger, bold, black, serif font. Below "Corporate" is the text "FEDERAL CREDIT UNION" in a smaller, black, all-caps, sans-serif font. There are teal horizontal lines underlining "Corporate" and "FEDERAL CREDIT UNION".

Midwest Corporate
FEDERAL CREDIT UNION

Meeting Member Needs ... Every Day!

Midwest Corporate FCU

Statement of Financial Condition

(unaudited)

| | 12/31/08 | 12/31/07 |
|--|-----------------------------|-----------------------------|
| Assets | | |
| 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 | 498,244 | 101,967 |
| 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 | 97,169 | 59,598 |
| 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 | 6,764,195 | 6,422,241 |
| 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 | 414,607 | 371,171 |
| Total Capital | <u>\$ 7,138,073</u> | <u>\$ 7,458,747</u> |
| Unrealized Gain(Loss) on AFS Investments | (740,660) | (5,378) |
| 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 | 8,692,676 | 13,209,249 |
| 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 | 2,916 | 50,554 |
| 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 | 1,382,438 | 870,415 |
| 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.



2005 N. Kavaney Drive, Suite 200
P.O. Box 7008
Bismarck, ND 58507-7008
Toll Free: 800/852-2677
Fax: 701/223-2654
www.midwestcorporatfcu.org

February 2009

Attached is Midwest Corporate's unaudited financial statements.

Despite all the problems within the financial markets during 2008, and the illiquidity in the mortgage investment market for more than a year, Midwest Corporate remains in strong financial condition.

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's only investments outside of U.S. Central FCU have been 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 of a portion of their investments. The amount of these write-downs, known as Other Than Temporary Impairments (OTTI), was substantial in December 2008 causing the NCUA to act by placing a Capital Note with U.S. Central FCU to offset most of these OTTI write-downs. The actual expected loss on the effected investments is substantially less than the OTTI amount, but, current accounting rules require the investments be written-down at the higher amount. Currently, Midwest Corporate's management is evaluating if these OTTI charges will have any direct impact on Midwest Corporate's Financial Statements. Despite the OTTI charges, U.S. Central FCU continues to hold high credit ratings from Standard & Poors, Fitch, and Moody's. In addition, all deposits, except capital deposits, at U.S. Central FCU are guaranteed by the NCUSIF through December 31, 2010.

All deposits, except capital deposits, at Midwest Corporate are insured up to \$250,000.00 by the NCUSIF and all deposits in excess of the insured amount are guaranteed by the NCUSIF, excluding capital deposits.

As for our December 31, 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 generally remained steady while share growth has been weak and many members have moved funds to our SimpliCD program.
2. Member CD purchases outstanding through Midwest Corporate's SimpliCD program as of December 31, 2008 was \$128.7 million. These member investments are off-balance sheet transactions for Midwest Corporate that generates fee income.
3. Future Dated ACH transactions are no longer being recognized on our balance sheet. This was a regulatory requirement in the past that was 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.

4. 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.
5. Our net income for 2008 was 11.7% higher than in 2007.
6. Our return on equity continued to be very strong at 6.41%.
7. Our investment distribution has remained very consistent.
8. Our relatively low overnight investment balances as of December 31, 2008 is due to our members shifting funds to CDs, member SimpliCD investments, and normal seasonality. We expect our overnight investment balances throughout 2009 to remain low relative to prior years.
9. Our NEV analysis continues to show low exposure to interest rate risk.
10. The Non-Operating Loss was related to a write-down of the value of our CNBS, LLC ownership stake. The write-down was based on management's recognition that the on-going value of this CUSO is less than the original purchase price.
11. The investments in CUSOs represents minority ownership interests in CNBS, LLC and Primary Financial, LLC (provider of the SimpliCD program).

Like most credit unions, in 2009 we expect margins to tighten that will result in lower levels of positive net income.

In late January 2009, the NCUA announced its Corporate Credit Union Stabilization Program. The program was launched to deal with significant potential losses within the Corporate Credit Union Network caused by the collapse of the mortgage market and subsequent freezing up of the credit markets. The frozen markets translated into severe market dislocations where market pricing for mortgage-backed investments caused market values to fall well below their economic cash flow values. While Midwest Corporate does not hold these effected investments, several corporate credit unions throughout the country do and the potential OTTI charges related to these investments necessitated the NCUA to act with the stabilization program. The program includes the capital note deposit at U.S. Central FCU and guaranteeing all deposits in corporate credit unions, except capital deposits. We regret that our members, along with all NCUSIF-insured credit unions, will be expected to bare the cost of NCUA's program. For more information on the NCUA Corporate Credit Union Stabilization Program, go to the NCUA's website, www.ncua.gov.

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