

easy

honor

keeping our promises

privacy

ownership

response

listen

FINANCIAL CENTERTM
Finance Center Federal Credit Union

solutions

appreciation

we promise

... to make it **easy** to do business with us. ... to treat you as an **honored** member. ... to maintain the **privacy** of your account information. ... to take **ownership** of your request. ... to **respond** to your request in a timely manner. ... to **listen** to your needs and suggest **solutions** that will improve your financial life. ... to show our **appreciation** for allowing us to serve you.



chairman's report

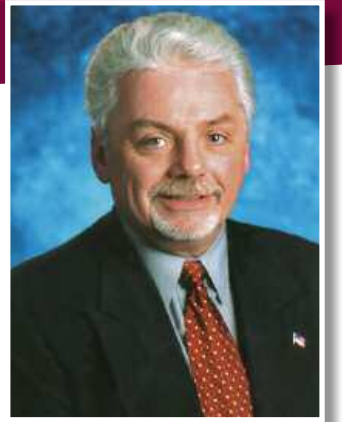
It has been a tough year financially for the economy, as a whole, and some financial institutions in particular; however, your management and Board of Directors have been able to respond well to changing conditions and your credit union has done well. For the year ending 12/31/08, total assets increased, membership grew, and we continued to make money on operations, although not as much net income as in past years. Lending and investing have been conservative and we have avoided significant losses in lending and none in our investments. However, we have been unable to avoid a regulatory mandated cooperative share of the losses suffered by the less conservative members of the credit union community. Therefore, we have taken a regulatory assessment charge for deposit insurance to the credit union's capital. However, we still maintain a very strong capital position when compared to any standard.

As difficult as this past year has been, 2009 will be a challenge due to the continued economic downturn. Your management and Board of Directors will continue to operate in a conservative and responsible manner and will focus on improvements in current and new member financial services. It is, as always, our primary goal to provide Financial Center members with the best delivery of service and products in all areas. We expect to do this through continued emphasis on sales and service, the introduction of new products, and improvements in technological systems.

On behalf of the Board of Directors, I wish to thank our members for their support and continued relationship with Financial Center. We are optimistic about the future and remain dedicated to providing our members with the best financial services available.

John R. Keneipp
Chairman, Board of Directors

president's message



As you are no doubt aware, 2008 was an extremely trying year for the financial services industry. There is red ink almost everywhere and the amount of the losses is shocking. Some have been so bad as to require specific "bailouts" by the taxpayers for private banking concerns. Credit unions have not totally escaped the situation, with a number of them reporting significant losses for the year. That is enough of the bad news.

For us, the good news is that we managed to make money from our normal operations, unlike many of our competitor institutions. We were able to do so because we remained true to our governing principles of safety and liquidity. For many financial institutions the lure of large returns on investments was simply too tempting to pass up. We, on the other hand, believed that such investments were too good to be true. In the final analysis, we were right.

To be certain, we have been impacted by the downturn in the economy. However, this impact has not been exacerbated by the additional costs of writing down investments that will never return funds to the holders. We also must continue to be vigilant going forward. The economy has likely not yet bottomed out and that means more of our members may be in for troubled times. We are prepared for that and have taken a conservative approach to our budgeting and spending plans for 2009. Ultimately, the speed at which the economy recovers will be the major determinant in how well we continue to perform. A further significant downturn will most certainly have a negative impact on our future performance.

Through all that has taken place during 2008 we have been able to maintain momentum in the marketplace. We brought out products that have been extremely well received. One of them (our Health Savings Account) has become the market leader in our area and has been a major factor in our ability to grow membership for the year. In addition, we opened new Centers within school districts, furthering our commitment to enhancing youth financial education.

During the same period, we were able to maintain control over spending and be extremely vigilant with regard to operating expenses. Despite that, we were able to bring a new level of sales and service to our membership. We made a concerted effort to enhance both categories and our surveys continue to tell us that we are getting the job done for you. While we are pleased with the results to date, we have raised the bar for 2009. We will

continue to enhance the methods we use to earn your faith and trust.

Having said all that, I must address the final results of operations for 2008. You will note that we show a net loss of \$2,177,726. Our results from normal operations actually showed a profit, however, we have been assessed a charge of \$2,382,226 to help replenish the credit union industry insurance fund. As you are aware, we are part of a cooperative industry and that has many advantages that come with it. One of the unfortunate parts of being a cooperative industry is that when the industry has a problem, we must all shoulder part of the burden in order to restore balance. All credit unions have been assessed a charge, and for the most part it is based on the size of the credit union and the deposits that must be insured. There was no way for the industry to anticipate this result, yet we must deal with it. Your credit union has always been extremely well capitalized. While we do not relish the thought of this charge, we are able to afford it. The industry will restore the insurance fund to its proper level and move forward.

It has been an extremely difficult year for us, but we are proud of what we have been able to accomplish. We did not set a record for earnings in a given year, but we did earn a positive return from operations and that is a solid performance in this economic climate. This would not have been possible without the dedicated commitment of the entire staff and the volunteers. Your Board of Directors oversaw the most difficult year for financial institutions in the last 25 years, yet did not panic. They remained true to our conservative roots and our focus on what is best for the membership. In turn, the staff willingly accepted our direction and help in providing better service and sales for you. We asked much and they gave more. To both of these groups I express my personal gratitude for their commitment and devotion to our mission.

Lastly, I want to thank you, the members, for your faith and trust in our institution, particularly in these troubling times. I pledge to you that we will not cease in our efforts to provide you with the best possible products and service.

Roger A. Youngs
CEO

consolidated balance sheet

Finance Center Federal Credit Union, Indianapolis, Indiana December 31, 2008 and 2007

December 31	2008	2007	Difference
Assets			
Cash and due from banks	\$ 4,029,193	\$ 3,765,372	263,821
Short-term bank deposits	13,223,216	24,768,109	(11,544,893)
Total cash and cash equivalents	17,252,409	28,533,481	(11,281,072)
Interest-bearing deposits	8,248,000	10,993,000	(2,745,000)
Investment securities			
Available for sale	52,739,115	33,037,442	19,701,673
Held to maturity	0	14	(14)
Total investment securities	52,739,115	33,037,456	19,701,659
Loans			
Loans	259,368,762	252,144,610	7,224,152
Deferred Loan Expense	1,984,711	1,700,656	284,055
Less: Allowance for loan losses	3,177,790	1,917,346	1,260,444
Net Loans	258,175,683	251,927,920	6,247,763
Premises and equipment	5,813,504	5,487,650	325,854
National Credit Union Share Insurance Fund deposit*	745,790	2,373,721	(1,627,931)
Membership shares — Members United Corporate FCU	1,500,000	1,500,000	0
Federal Home Loan Bank Stock	2,789,500	2,189,500	600,000
Shared Branching	108,144	53,616	54,528
Interest receivable	1,276,296	1,235,978	40,318
Other assets	2,877,671	4,047,607	(1,169,936)
Total assets	\$ 351,526,112	\$ 341,379,929	10,146,183
Liabilities and Equity			
Members' shares	\$ 272,546,081	\$ 250,607,374	21,938,707
Borrowings	30,790,000	40,790,000	(10,000,000)
Other liabilities	2,793,711	2,927,323	(133,612)
Total liabilities	306,129,792	294,324,697	11,805,095
Regular Reserve — substantially restricted	6,954,884	6,954,884	0
Retained earnings	37,836,523	40,014,248	(2,177,725)
Accumulated other comprehensive income	604,913	86,100	518,813
Total retained earnings	45,396,320	47,055,232	(1,658,912)
Total liabilities and equity	\$ 351,526,112	\$ 341,379,929	10,146,183

* All federally insured credit unions are required to write-off a portion of their deposit in the National Credit Union Share Insurance Fund (NCUSIF) and pay a premium assessment in order to maintain a robust and strong federal insurance fund for all credit union members. Excluding the Insurance Fund expense of \$2,382,226, 2008 Net Income would have been \$204,500.

This is an unaudited report. The audited financial statements may be viewed at the Main Center.

consolidated statement of income

Finance Center Federal Credit Union, Indianapolis, Indiana December 31, 2008 and 2007

Year Ended December 31	2008	2007	Difference
Interest Income			
Loans receivable	\$ 15,872,397	\$ 15,742,992	129,405
Investment securities	1,946,413	1,804,055	142,358
Deposits with financial institutions	1,341,550	2,215,086	(873,536)
Other interest income	161,156	148,810	12,346
Total interest income	19,321,516	19,910,943	(589,427)
Dividend Expense on Members' Deposits and Borrowings			
Dividend Expense on Members' Deposits	5,816,674	7,295,698	(1,479,024)
Borrowing Expense	1,833,273	2,013,592	(180,319)
Total Interest Expense	7,649,947	9,309,290	(1,659,343)
Net Interest Income	11,671,569	10,601,653	1,069,916
Provision for loan losses	2,909,984	1,551,163	1,358,821
Net Interest Income After Provision For Loan Losses	8,761,585	9,050,490	(288,905)
Other Income			
Fees and other charges	4,561,749	4,698,340	(136,591)
Insurance commissions	201,863	195,435	6,428
Credit and debit card interchange income	1,059,149	953,096	106,053
Gain (Loss) on sale of investments	0	(4,913)	4,913
Gain on VISA stock redemption	530,114	0	530,114
Gain (Loss) on retirement investments	(1,011,145)	131,615	(1,142,760)
Other income	248,240	552,064	(303,824)
Total Other Income	5,589,970	6,525,637	(935,667)
Other Expenses			
Salaries and employee benefits	6,313,952	6,945,206	(631,254)
Occupancy	1,177,906	1,056,318	121,588
Office operations	2,712,799	2,475,207	237,592
Advertising	1,094,623	841,679	252,944
Computer services	1,180,399	1,257,185	(76,786)
Collection and other loan expenses	286,534	217,622	68,912
Credit and debit card processing	419,710	387,274	32,436
Professional Fees	245,893	467,161	(221,268)
Insurance fund expense*	2,382,226	0	2,382,226
Other expenses	715,239	740,404	(25,165)
Total other expenses	16,529,281	14,388,056	2,141,225
Net Income	\$ (2,177,726)	\$ 1,188,071	(3,365,797)

* All federally insured credit unions are required to write-off a portion of their deposit in the National Credit Union Share Insurance Fund (NCUSIF) and pay a premium assessment in order to maintain a robust and strong federal insurance fund for all credit union members. Excluding the Insurance Fund expense of \$2,382,226, 2008 Net Income would have been \$204,500.

This is an unaudited report. The audited financial statements may be viewed at the Main Center.

Financial Center would like to address and answer questions about the National Credit Union Share Insurance Fund (NCUSIF) Corporate stabilization program and how it affects Financial Center and its members. This plan includes a premium assessment to every credit union based on the amount of their insured deposits. The National Credit Union Administration (NCUA) is the government agency that insures federal credit unions. The NCUA approved the assessment in order to add stability and strengthen corporate credit unions by maintaining liquidity, strengthening capital and restructuring the corporate system.

Q. What is the share insurance fund?

A. Every federally insured credit union must keep 1% of insured shares on deposit in the NCUSIF. The NCUSIF protects members' accounts in the event of credit union failures. In the first quarter of 2009, the NCUA determined that an additional assessment was necessary for the insurance fund. Before this additional assessment, Financial Center would have closed 2008 with a net income of \$204,500.

Q. What are corporate credit unions and US Central?

A. There are twenty-eight corporate credit unions in the United States. Corporate credit unions do not serve the individual consumer. They serve other credit unions by providing investment options, liquidity sources and other back-office services such as check processing. Corporate credit unions are essentially credit unions for credit unions. US Central operates similar to corporate credit unions except that they serve the corporate credit unions.

Q. Why do the corporate credit unions need a stabilization plan?

A. There has been a recent decrease in the value of corporate investment portfolios due to the market freeze-up which has prevented the trading of certain investment securities. NCUA believes these challenges have the potential to threaten the stability of the corporate credit union system. This is not a government bailout package.

Q. What is conservatorship?

A. NCUA has decided to place two corporate credit unions into conservatorship. This means that NCUA has replaced the board of directors and management and assumed the day to day operations of these corporate credit unions. Operations of both corporate credit unions will continue uninterrupted.

Q. How does this affect Financial Center members?

A. The corporate stabilization program will not have any direct impact on Financial Center members. Financial Center is very well capitalized. We are continuing to grow membership and make loans. Members of Financial Center will continue to receive the highest level of quality service.

Q. Why does Financial Center have to pay an additional assessment to the NCUSIF?

A. US Central and corporate credit unions are experiencing a severe strain on liquidity and there is not a market for their mortgage/asset backed securities. Financial Center, along with every credit union insured by the NCUA, has to pay an additional premium of their insured shares in order to stabilize and strengthen the corporate credit union system.

Q. Are Financial Center members' deposits still insured?

A. Your accounts are federally insured up to \$250,000 and backed by the full faith and credit of the United States government. Your funds are also insured through Excess Share Insurance, the nation's largest private deposit insurer, for an additional \$250,000. **Your deposit accounts are insured up to \$500,000. Individual Retirement Accounts are insured separately up to a total of \$500,000.**

board of directors

Standing Left to Right:

Raymond Battey
Rogelio Lara
J. Kevin Ryan
John Keneipp
Russell Dowden

Sitting Left to Right:

Jeffery Hawk
William Campbell
William Nelson
Joan Simmons



executive staff

Roger A. Youngs	President/Chief Executive Officer	Larry Marcum	Vice President of Sales and Community Development
Susan R. Ward	Senior Vice President/Chief Operating Officer	Patricia E. Richey	Director of Internal Audit
Michael J. Nelson	Vice President of Finance/Chief Financial Officer	Greg Schmeisser	Vice President of Information Systems
Bryan C. Fluke	Vice President of Marketing Operations	Frances A. Tooley	Vice President of Human Resources
Jo Kiel	Vice President of Retail Operations	Kenneth Yedlick.....	Vice President of Commercial Lending
Michael MacDonald	Vice President of Lending Operations		

supervisory committee

Edgardo Aviles
Bobby Derrick, Secretary
Bruce Hall, Vice-Chair
Cynthia Miller, Chair
Cindy Perry



FINANCIAL CENTER™
Finance Center Federal Credit Union

7101 E. 56th Street, Indianapolis, IN 46226
Phone: 317.916.7700 • Facsimile: 317.916.6202

www.fcfcu.com

