

Heartland Receives National Award for Community Involvement

After placing 1st on the state level, Heartland was awarded 2nd Place in the nation for the Dora Maxwell Social Responsibility Award for credit unions.

The Dora Maxwell Award recognizes credit unions for helping others and/or strengthening the structure of a community.

Heartland received this award primarily for recognition of the first annual "Share the Warmth" Coat Drive for Neighbors, Inc., a non-profit social service agency serving Northern Dakota County.

With the help of local businesses, organizations, members and employees Heartland's Coat Drive provided 429 people with coats, many of whom otherwise might not have had appropriate outdoor wear for a harsh Minnesota winter.

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2008 and 2007

Assets	2008	2007
Total Loans	58,130,932	60,683,314
Allowance for Loan Loss	(292,497)	(292,554)
Net Loans	57,838,435	60,390,760
Cash	797,362	772,105
Investments	13,951,139	10,014,496
Land and Buildings	4,913,127	4,640,818
Other Assets	1,292,683	1,533,750
Total Assets	\$ 78,792,746	\$ 77,351,929
Liabilities and Members' Equity		
Members Shares and Deposits	\$ 70,179,698	\$ 69,085,430
Borrowed Funds	0	0
Accrued Interest Payable	16	20,468
Other Liabilities	465,604	112,649
Total Liabilities	\$ 70,645,318	\$ 69,218,547
Members' Equity	\$ 8,147,428	\$ 8,133,382
Total Liabilities and Equity	\$ 78,792,746	\$ 77,351,929

FINANCIAL HIGHLIGHTS

Assets: The credit union ended the year with \$78.8 million in assets, an increase of 2 percent since December 31, 2007.

Members: Heartland's staff opened 595 new accounts; we now serve 8,849 members.

Deposits: Total deposits increased by 1.7 percent or \$1.09 million.

Loans: Staff approved 1,131 new loans totaling \$15.8 million.

Capital: Total Capital or Equity is \$8,147,428 or 10.34%



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2008

Annual Report

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Joint Message

from the Chairman of the Board and the President

Safe, Sound, Secure . . . Insured

In these troubled times when it seems difficult to find anything positive or reassuring in the news, it's important that you know your accounts at Heartland are Safe, Sound, Secure and Insured.

Heartland is well-capitalized with over 10.25% or more than \$8.1 million in capital. This means that Heartland has the strength to weather the recent market downturn as capital is our cushion, our safety net. It gives us the ability to continue to serve our members during difficult economic times without increasing or adding fees.

In addition to our capital, another of our strengths comes from our insurance of accounts – at Heartland your deposits are insured up to \$2,000,000. The National Credit Union Administration (NCUA) insures our members' deposits up to \$250,000. In addition, Heartland is one of only eight Minnesota credit unions offering an additional \$250,000 in coverage through Excess Share Insurance (ESI), which is free of charge to our members. This combined insurance coverage gives Heartland members up to \$2 million of insurance per member.

Heartland is a good steward of your money – we have taken the conservative approach to investing and stayed away from Mortgage Backed Securities. Our past returns may not have been as high as those risky investments offered, but in contrast, we are now enjoying guaranteed returns on our investments instead of suffering massive losses.

Heartland will be here for you – we will weather the storm! But you play an important role in Heartland's continued stability and success. How may you ask? Simply by using Heartland as your primary financial institution and by recommending us to your friends and family! Don't have a Heartland checking? We dare you to compare and find out how much you could be saving, in time and money. In addition to our three conveniently located branches, we have over 3500 shared service centers located across the country and more than 35,000 surcharge free ATMs – more than the big banks combined! Be sure to compare all of Heartland's products and services, you'll be glad you did!

Thank you for the trust you have placed with us – we do not take it lightly. These are definitely unprecedented times, but you can rest easy knowing that Heartland is Safe, Sound, Secure and Insured. Heartland is your credit union – please don't hesitate to contact me if you have any questions as my door is always open.

Randy Nelson

Randy Nelson
Chairman

Pamela O'Connell

Pamela O'Connell
President

STATEMENT OF INCOME - DECEMBER 31, 2008 and 2007

Income	2008	2007
Interest from Loans	\$ 4,031,993	\$ 4,122,804
Interest from Investments	\$ 600,091	\$ 472,847
Total Interest Income	\$ 4,632,084	\$ 4,595,651
Interest and Dividend Expense		
Paid on Member Deposits	\$ 1,845,932	\$ 2,009,919
Interest on Borrowed Money	\$ 1,348	\$ 51,040
Total Interest Expense	\$ 1,847,280	\$ 2,060,959
Net Interest Income	\$ 2,784,803	\$ 2,534,692
Provision for Loan Losses	\$ 412,036	\$ 239,194
Net Interest Income (After Provision for Loan Losses)	\$ 2,372,767	\$ 2,295,498
Non-Interest Income		
Fee Income	\$ 633,159	\$ 587,475
Other Income	\$ 216,936	\$ 200,893
Gain (Loss) Investments		
Total Non-Interest Income	\$ 850,095	\$ 788,368
Non-Interest Expense		
General and Administrative		
Compensation and Benefits	\$ 1,499,814	\$ 1,530,883
Office Occupancy	\$ 152,221	\$ 220,940
Office Operations	\$ 690,425	\$ 643,515
Marketing and Promotional	\$ 181,072	\$ 138,372
Loan Servicing	\$ 264,077	\$ 266,982
Professional and Outside Services	\$ 360,603	\$ 292,005
Other Expense	\$ 67,008	\$ 42,368
Total Non-Interest Expense	\$ 3,215,219	\$ 3,135,065
Net Income	\$ 7,643	\$ (51,199)

SUPERVISORY COMMITTEE REPORT

Your Supervisory Committee is responsible for ensuring that each account in your credit union is managed professionally, efficiently, and confidentially. The Supervisory Committee has established an annual audit plan and performs audit functions throughout the year in accordance with that plan. In addition, in 2007 we hired the CPA firm of Larson, Allen, Weishair and Co., LLP (LAWCO) to assist us with a full opinion audit. The audit was completed for the twelve months ended September 30, 2008, with a clean opinion issued on January 29, 2009. Your credit union is also required to follow all Minnesota Department of Commerce and National Credit Union Administration (NCUA) regulations. To ensure full compliance with these regulations, we file semi-annual reports with the Department of Commerce and participate in all regulatory agency audits.

To protect your interests in the Credit Union, the

Supervisory Committee functions independently of the board of directors and staff. We acknowledge and appreciate the fine job that everyone has done this past year.

Please contact us if you have an issue with the credit union that you feel needs our attention. We recommend that, for efficiency, you utilize normal channels in contacting staff to resolve any credit union problem. However, if that proves unsuccessful, please call us.

Thank you for the opportunity to be of service and for your continued support of your credit union.

Agnes Zelgert, Chairman
Jeremy Hjelm
Dee Lo
Paul Rhein
Randy Uglen

