Members United
CORPORATE FEDERAL CREDIT UNION

Portfolio Update

As of 2/28/09 (unaudited)

The credit and liquidity crisis that began in July 2007 continues to strain global financial markets. Members United is committed to providing our member-owners information about these market events and the quality of our assets. We strive to provide objective, transparent information and data regarding our safety and soundness. While credit and liquidity events continue to foster market instability, we remain confident in the quality and continued strength of Members United's portfolio and in our ability to provide liquidity to members.

This report focuses on three primary risks within Members United's investment portfolio: interest rate, credit and liquidity risks. Members United has developed the infrastructure, expertise and capability to manage a complex balance sheet, and our intent is to share our position related to these key risk attributes, as well as guidance on how we monitor and report these positions.

Economic Overview

Everyone is still trying to figure out where the bottom is, or if we have already hit it. Most economic indicators continue to remain at or near all-time lows. However, a few glimmers of light are trying to intrude on the gloom. Equity markets have caught a bounce as we have rebounded off the lows of 6,470 on the Dow and 667 on the S&P 500 index. Housing and mortgage watchers latched on to an increase in housing starts to 583,000 in February. This was an increase of 22% from the revised January level. Much of the increase was from a surge in townhouse, condo and apartment starts.

The primary focus remains on how fiscal policy will give the economy some positive momentum. There has been a push to overhaul U.S. financial regulations with hopes it will smooth the financial markets. Federal Reserve Chairman Ben Bernanke stated, "We should review regulatory policies and accounting rules to ensure that they do not induce excessive swings in the financial system and economy." The Obama administration is said to be undertaking the largest revamp of the U.S. financial system since the Great Depression.

U.S. consumer confidence levels now reside at record lows. Given the continual decline in home values, high unemployment rates and stock market weakness, household wealth continues its downward journey. The value of the dollar takes on new meaning as consumers are proceeding with caution as they determine how to spend any excess income. This newfound caution is evidenced in the savings rate increasing to 5.5% from a virtual zero savings rate the last few years. Despite this, retail sales have been performing better than anticipated. This has created some optimism in the stock market, as displayed by the 15% bounce from the lows.

The employment picture continues to worsen. First-time and continuing claims were up as companies continue to cut payrolls in an effort to trim costs. Since November 2008, the U.S. has lost more than 820,000 jobs. The unemployment rate, now at 8.1%, is the highest in more than 25 years and is predicted to rise to near 10% before any relief is felt. The Obama administration continues to reassure Americans that they are committed to improving the economy and will be aggressive in their efforts.

Members United Outlook

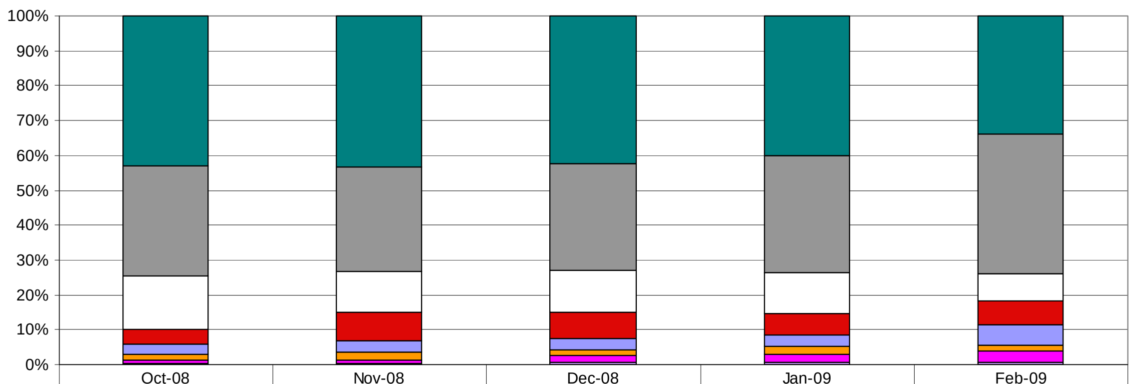
With the economy shackled with the burdens of weak employment, an uneven housing market and volatile and skittish stock values, there seems little realistic expectation for monetary tightening. Short-term interest rates should remain low for the remainder of the year. Longer maturities may face some pressure as concern over mounting U.S. spending is surfacing abroad. Fiscal stimulus should do much to stabilize the employment picture and hopefully provide follow-through in other markets. However, the fiscal stimulus will take time to take effect as building and infrastructure projects don't spring into full bloom overnight.

Portfolio Overview

Credit risk is the risk that the par value of an investment will not be returned (fractionally or as a whole). Members United manages credit risk through continual monitoring and rigorous modeling of its investment securities. Members United has the regulatory authority to hold investment securities with a rating of BBB or higher. If an investment held by the corporate falls below BBB, an investment action plan must be prepared and filed with the NCUA, demonstrating the anticipated performance of the security and any potential loss exposure to future cash flows (periodic interest and principal payments).

The current credit and liquidity crisis has led to thousands of securities downgrades by the rating agencies over the last 12 to 18 months. Like all other investors, Members United has experienced a significant number of downgrades of its own bond holdings. Despite these downgrades, more than 90% of the investment securities in Members United's portfolio continue to maintain an investment-grade rating. The following chart shows recent ratings trends for Members United's investment holdings:

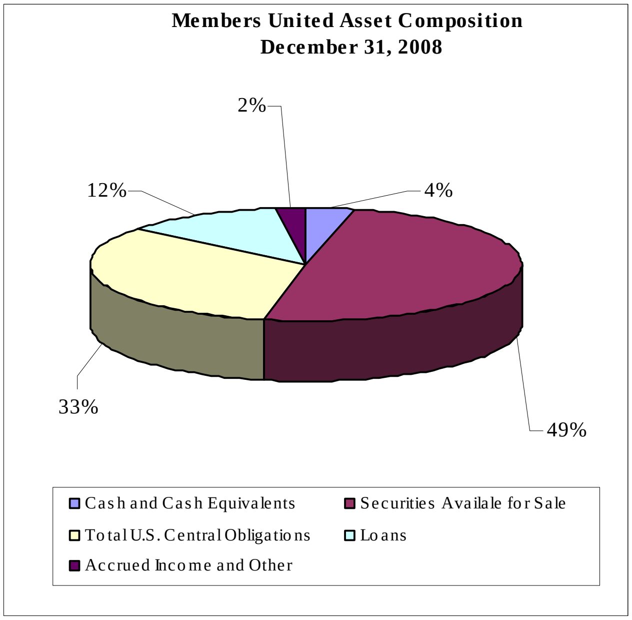
Portfolio Ratings Trends

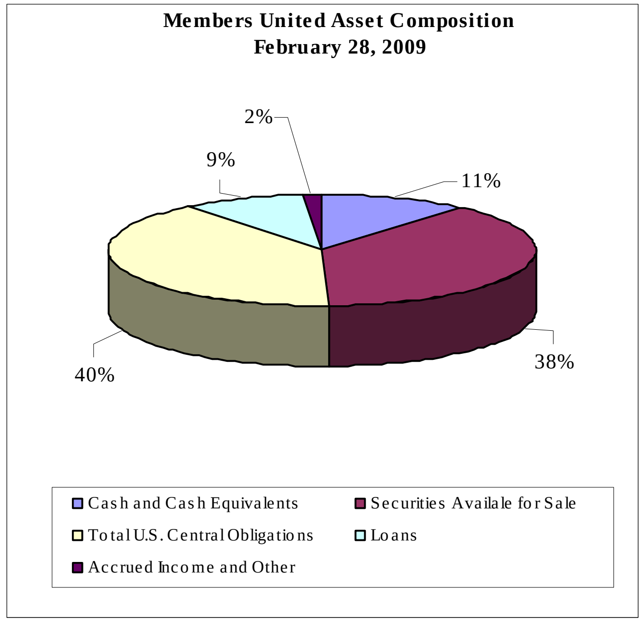


	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
AAA	43%	44%	42%	40%	34%
USC	32%	30%	30%	33%	40%
AA	15%	12%	12%	12%	8%
A	4%	8%	8%	6%	7%
BBB	3%	3%	3%	3%	6%
BB	2%	2%	2%	2%	1%
B	1%	1%	2%	3%	3%
CCC	0%	0%	1%	1%	1%

Asset Composition

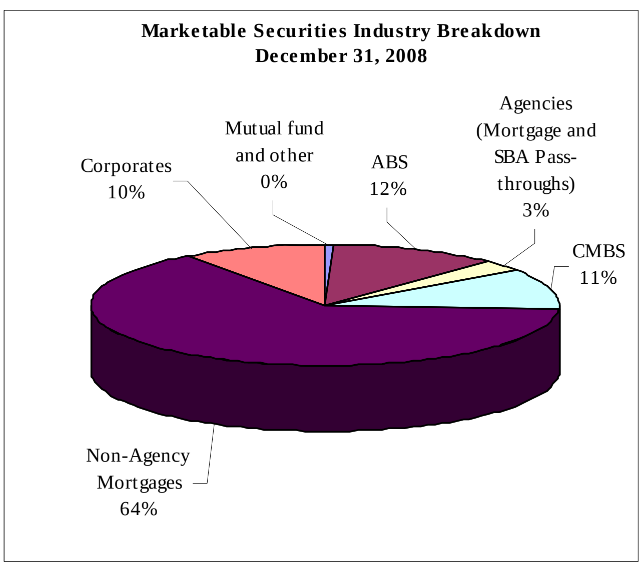
As of February 28, 2009, our assets were $9.9 billion. Fair value of marketable securities represented $3.8 billion, and outstanding loans totaled $914 million. Deposits at U.S. Central totaled approximately $4.0 billion.

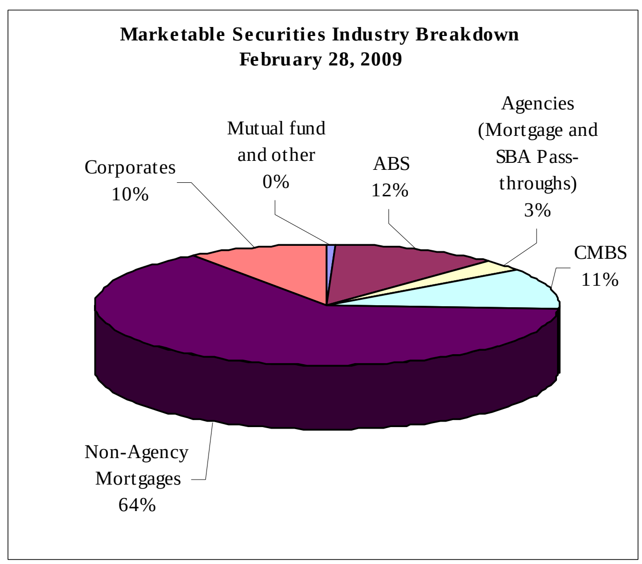




Industry Composition

Members United's industry composition has remained relatively stable since fiscal year-end 2008, with no material category changes, as noted in the graphs below.





Total Investment Portfolio

The table below summarizes Members United's total available-for-sale securities, by category, as of February 28, 2009:

(All dollars are reflected in thousands)

	Par Value	Unrealized Loss*	Fair Value
Non-agency mortgages	$ 3,844,391	$ (1,725,852)	$ 2,118,539
Asset-backed securities (secured by non-mortgage assets)	709,264	(98,500)	610,764
Commercial mortgage-backed securities	655,421	(259,944)	395,477
Corporates	583,939	(101,826)	482,113
Agencies (mortgage and SBA pass-throughs)	175,561	(2,380)	173,181
Mutual fund and other	27,029	-	27,029
Total investment securities	$ 5,995,605	$ (2,188,502)	$ 3,807,103
*Excludes net unrealized loss on derivative instruments of $30,299.			

Mortgage-Related Securities

The housing market remains under considerable stress, with continued news of falling home values and rising delinquency and foreclosure rates, especially in certain geographic areas. As of February 28, 2009, Members United's investments in non-agency, mortgage-related securities were approximately $3.8 billion (unaudited). The following provides a high-level summary of Members United's non-agency mortgage-related holdings as of February 28, 2009:

(All dollar amounts are reflected in thousands)

Mortgage Portfolio Category	Dollar Amount Outstanding	Percent of Non-Agency, Mortgage-Related Securities	Percent of Total Investments	Weighted Average FICO Score	Weighted Average Loan to Value
Total non-agency mortgage exposure	$3,844,391	100%	49%	692	79%
Prime	1,119,487	29%	14%	725	79%
Sub-prime (FICOs < 680)	1,029,422	27%	13%	632	81%
Alt-A	1,695,482	44%	22%	708	78%

Monolines

An important component of the credit quality of structured finance investment vehicles is the credit enhancement available to protect the investor from loss of principal or interest. One common method of providing credit enhancement for these investments is the use of an insurance "wrap" from a monoline insurer, which guarantees the timely payment of interest and ultimate payment of principal. Most monoline insurers continue to experience significant losses from guarantees they made on credit default swaps (CDS) and collateralized debt obligations (CDO) backed by residential mortgage securities. (Members United does not own any CDOs or hold any CDS contracts.) These unrealized losses continue to negatively affect the monoline insurers' capital ratios, leading to continued downgrades of their insurance financial strength ratings.

The following table highlights Members United's monoline insurance exposure. We note that many of the underlying securities captured in this table also have additional layers of loss protection beyond the wrap, including over-collateralization, subordination and excess interest:

(All dollar amounts are reflected in thousands.)

Monoline	February 28, 2009 Total Holdings Wrapped	February 28, 2009 Total Holdings Wrapped (% of Investments)
Ambac	$433,692	5.6%
MBIA	413,454	5.3%
FGIC	184,672	2.4%
FSA	95,992	1.2%
SGI (f.n.a. XLCA)	56,112	0.7%
CIFG	14,199	0.2%
Total	$1,198,121	15.4%

Interest Rate Risk

Members United is exposed to some amount of interest rate risk, as changes in interest rates can affect net interest income and the value of our balance sheet. One common measure used to capture interest rate risk is Net Economic Value, or NEV, which measures the net change in the value of our assets and our liabilities given a change in interest rates. Members United adheres to NCUA's Rules and Regulations Part 704 and analyzes NEV monthly using instantaneous and parallel interest rate shocks of up to 300 basis points – a very aggressive assumption designed to produce a "stress test" of the balance sheet. In addition, Members United also periodically evaluates the impact on NEV of changes in the shape of the yield curve, prepayment rates, credit spreads and basis risk, and reviews this information with Management and ALCO.

The chart below demonstrates NEV test results for February 2009. Base case NEV figures reflect the impact of unrealized losses, which we continue to believe are largely temporary. The most severe scenario of a 300 basis point instant rise in interest rates reflects a decline in NEV of approximately $102 million or 7.3%.

(All dollar amounts are reflected in thousands.)

Net Economic Value February 28, 2009	Net Economic Value	Dollar Change	Percentage Change
Base net economic value	(1,393,544)	-	-
+300 basis point rise in rates	(1,495,351)	(101,806)	(7.31)

Valuations reflected in the base NEV calculation continue to be constrained due to market illiquidity and the failure of current market prices to capture true economic value if the securities are held to maturity. Members United continues to monitor this dislocation in valuations through regular comparisons of internal OAS-derived prices with prices received from third-party pricing services. Differentials between these two pricing sources remain quite wide, as most ABS sectors remain thinly traded and quotes from market makers and third-party pricing sources continue to reflect deep discounts and a sizeable liquidity premium. We note that as market liquidity eventually improves, this dislocation in market pricing is expected to gradually correct itself, eventually leading to a reduction in unrealized losses reported in base NEV measures.

In addition to NEV computations, Members United prepares monthly net interest income (NII) forecasts. These forecasts utilize the same data and are calibrated to the modeling of NEV. The following table illustrates Members United's projected NII over the next 12 months. As appropriate with modeling NII and/or NEV, Members United captures the embedded optionality associated with all assets and liabilities.

(All dollar amounts are reflected in thousands.)

Net Interest Income Projection February 28, 2009 (12-month projection)			
	Net Interest Income	**Dollar Change**	**Percentage Change**
Base case NII	35,609	0	0.0%
300 basis point rise in rates	46,391	10,782	30.28%

Liquidity Risk

Liquidity risk addresses the ability to create liquidity to fund cash flow requirements, both expected and unexpected, which usually result from share withdrawals and member loan requests. Members United maintains a $310 million committed line of credit and advised lines of credit that total more than $2 billion. The following table outlines our sources of liquidity as of February 28, 2009:

(All dollars are reflected in thousands)

Current Liquidity			
Cash and short term deposits	**$ 2,541,204**		
Source of Liquidity	**Gross**	**Used**	**Net**
US Central - committed line	$ 310,000	$ 310,000	-
FHLB Chicago line of credit	240,000	230,000	$ 10,000
US Central - advised line	1,199,571	270,191	929,380
State of Illinois deposit	100,000	100,000	-
Commercial paper	270,000	-	270,000
Available-for-sale securities - sales	1,081,757	-	1,081,757
Available-for-sale securities - borrowings	196,783	135,131	61,652
Fed funds	1,383,000	-	1,383,000
Fed discount window	1,148,000	-	1,148,000
Subtotal	**5,929,111**	**1,045,322**	**4,883,789**
Total	**$ 8,470,315**	**$ 1,045,322**	**$ 7,424,993**
Total member loans		**$ 913,724**	
Balances at the FRB		**$ 1,018,478**	

While seasonal liquidity trends would normally show an increase, liquidity is stronger than in previous cycles. After accounting for required reserves at the Federal Reserve Bank, available liquidity is more than **$3 billion** at month end. This is likely from three key factors. 1) With a weak employment environment through much of 2008, federal tax refunds are likely higher than in previous year. This should be making up for declines in employee incentives/bonuses. 2) Flight to quality – many credit unions feel liquidity has increased as investors have moved out of the volatile equity markets into "risk-free" asset categories like federally insured CU deposit accounts. 3) Deposits at Members United are clearly enhanced from our participation in the deposit guarantee program under NCUSIF. The guarantee in effect makes our deposit accounts a government- guaranteed account or risk-free investment to natural person members.

Our other sources of funding remain strong with about $1 billion availability at both the Federal Reserve Bank Discount Window and US Central. Member credit union loans remain stable, with CLF providing significant liquidity to natural person credit unions through the end of 2008 and into 2009. The SIP and HARP programs have also helped to strengthen overall corporate network liquidity positions.

Derivative Positions

Members United uses interest rate swaps to manage interest rate risk and never used derivatives to hedge credit risk associated with a specific investment. For example, if Members United made a five-year fixed rate loan to a credit union, Members United would enter into an interest rate swap to convert the fixed rate to a variable rate. There can be a nominal amount of credit risk if the counterparty should fail to perform under the terms of the contract. Members United manages credit risk by using comprehensive credit-approval processes, selecting only creditworthy counterparties and using effective collateral administration. In addition, Members United requires legally enforceable netting arrangements, which permit netting of transactions with the same counterparty. The amount of credit exposure is limited to the interest receivable and the fair market value of the derivative contracts in gain positions, reduced by the value of any collateral pledged by the counterparty. As of February 28, 2009, there was no credit exposure with our derivative counterparties.

Financial Report Update

For this month's financial report update, please see the financial highlights letter to our members on our website at http://www.membersunited.org/FinancialCenter.html.

Summary

Members United has made a commitment to developing a leading investment and risk infrastructure for our members. The combination of expertise, practices, tools and controls should provide assurance to our member-owners that we are well-positioned to navigate through these unprecedented markets. We will continue to provide monthly updates with full transparency in an effort to communicate our portfolio and risk exposure, and to affirm the strong financial position of Members United.

Contact Information

For questions related to any information contained in this update, please contact any of the following individuals:

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