

## **Portfolio Update and Financial Reports**

### **Including an Update on Progress against the Expense Reduction Plan and Details Regarding Senior Management Travel**

As of 7/31/09 (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.

#### **Economic Overview**

Recent economic indicators have pointed to potential economic stabilization and a possible bottoming of housing prices. Home prices, as measured by the Case Shiller Index, showed the first monthly gain in over two years and many economic indicators were stronger than expected. In addition, second quarter earnings were mostly at or above expectations. The stock market certainly took notice, with the S&P increasing by approximately 7% over the past 30 days.

The bulls had plenty of good news to point to in the housing market over the past month. Both existing and new home sales were above consensus expectations and as indicated above, home prices increased for the first time in years. Despite the recent string of good news, the housing market still has a long way to go before we can be comfortable announcing that we have reached a bottom. Much of the increase in sales has come from the low end of the market where the \$8,000 tax credit has attracted some buying interest. The buyer tax credit is only good for home purchases that occur before December 1, 2009, and when the credit expires, we are likely to see a retrenchment in sales. In addition, housing prices are likely to show another dip as the impact of sales of foreclosed properties at distressed prices hits the pricing data over the next few months. This is due to the fact that the foreclosure moratorium recently expired in several states.

The ultimate catalyst for a housing recovery hinges on the health of the consumer sector. Here, the data has also been improving, but has a long way to go before becoming positive. The most recent payroll data was much better than expected as job losses totaled 247,000 for the month of July. While this was a big improvement over the 600,000 plus job losses per month from earlier this year, the U.S. is still experiencing job destruction. The unemployment rate also surprisingly fell for the first time in over a year, but this was tempered by the fact that the decline was due to a sharp contraction in the labor force. The contraction was likely due to the increase in the number of discouraged workers who are no longer actively looking for employment.

The “cash for clunkers” program seemed to dominate the news over the past month with many politicians eager to claim success for the program. Briefly, the program provides \$3,500 to \$4,500 discounts when consumers turn in qualifying old vehicles to purchase qualifying new vehicles with gas mileage that is at least four mpg higher than the trade-in vehicle. While the program is likely good for the environment and for the economy in the short term, we don’t believe that it will have any positive long-term economic benefits and could actually prove to be a negative. It will certainly boost auto production in the near term, but will cause further deterioration in consumers’ balance sheets as they take on more debt to finance the new vehicle. In addition, much of these sales may be simply acceleration of the auto sales cycle, which may lead to even slower new car sales in 2010 once the program concludes.

The fiscal stimulus and currently lean inventories will likely provide a boost to the second half of 2009. The concern is what will occur as those two positive GDP effects fade into 2010. Consumer spending needs to improve in order to have a sustained recovery. This still seems far from certain, as savings rates still need to increase to a point where consumers have a savings “cushion” that is adequate to allow them to feel comfortable with significantly increasing their discretionary spending.

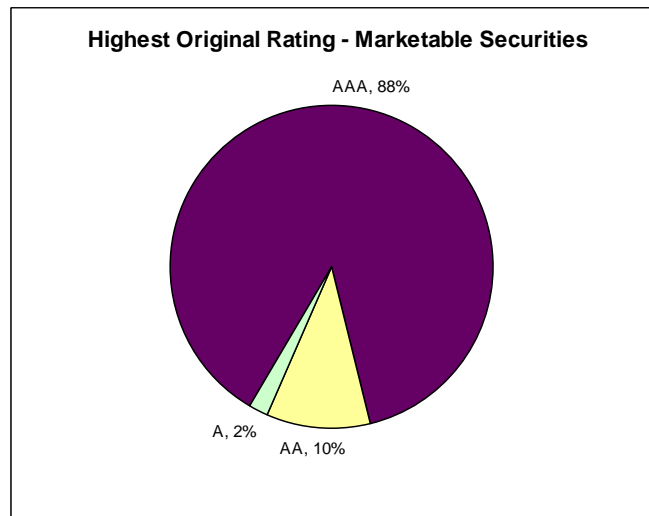
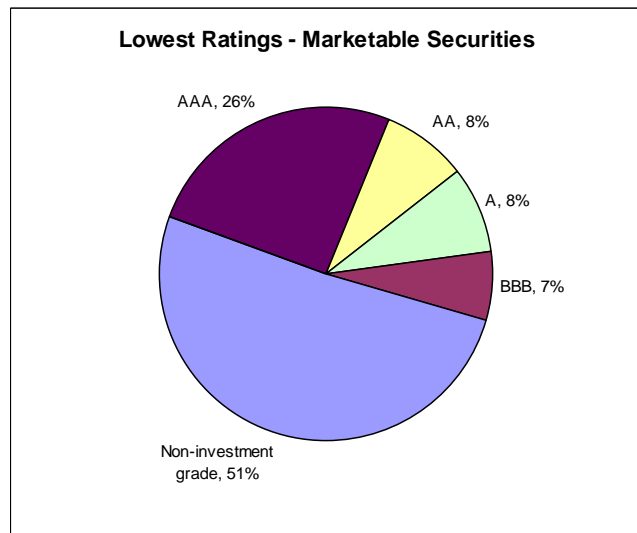
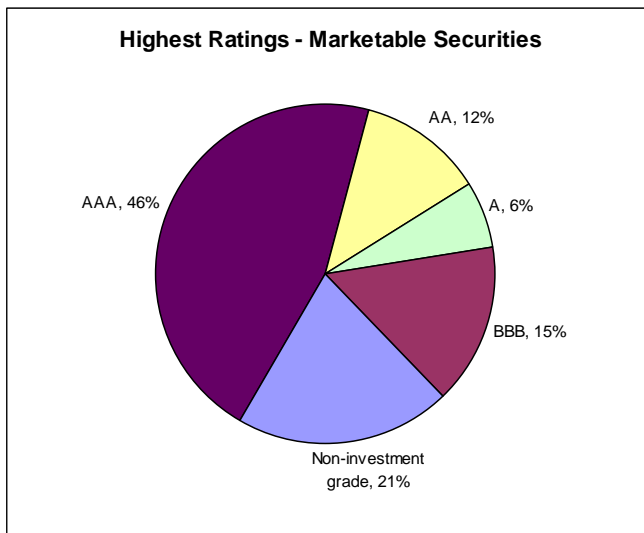
## Members United Outlook

Medium and longer-term interest rates have increased over the past month as most economic indicators were higher than expected and earnings generally surprised to the upside. We believe that these rates are more likely to decrease in the short term as the economy is not expected to experience a more typical V-shaped recovery. We see little pressure on short-term interest rates to rise, as the still weak economy represents the greater risk in the mind of the FOMC and FRB. The consumer segment remains weak, and we believe that it will take some time before consumer balance sheets are repositioned. Even with an adequate savings "cushion" in place, it is difficult to foresee consumer spending once again reaching pre-recession levels. The second half of 2009 should look much better than the first half, as fiscal stimulus and the inventory cycle will provide a boost.

## Portfolio Overview

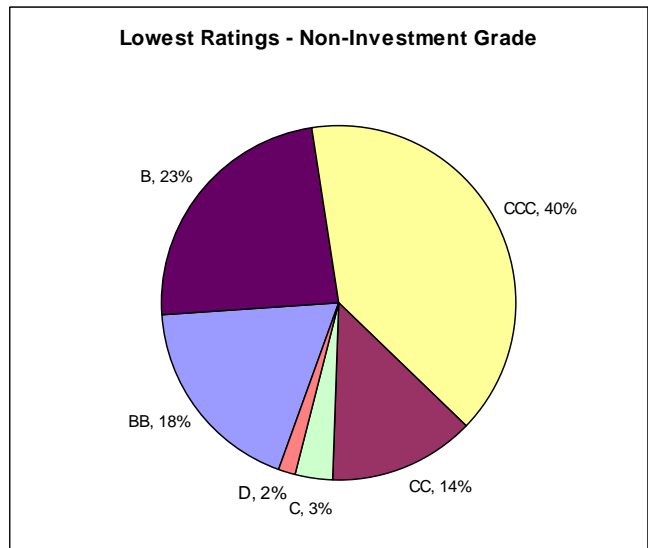
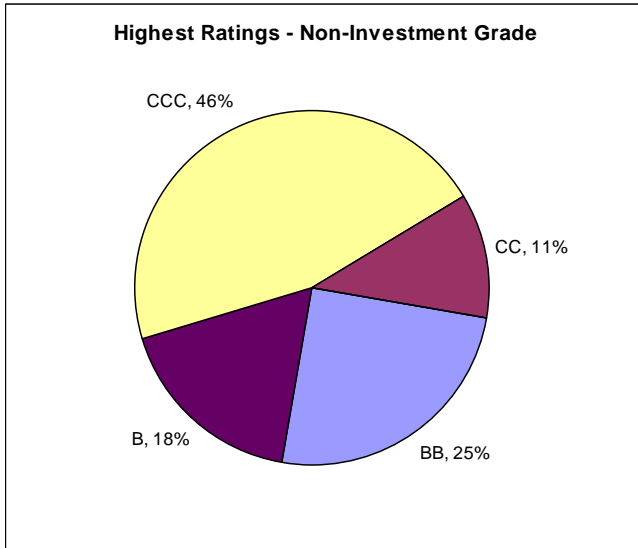
Credit risk is the risk that the par value of an investment will not be returned (fractionally or as a whole). Members United manages credit risk through continual monitoring and rigorous modeling of its investment securities. Members United has the regulatory authority to hold investment securities 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).

Members United presents three sets of charts below. The first chart provides a ratings breakdown of Members United's current marketable securities holdings using the highest current rating available. The second chart provides the same breakdown using the lowest current rating available. The third chart shows a breakdown using the highest original rating assigned to the security. These charts summarize the portfolio ratings as of July 31, 2009 (total par value of approximately \$5.6 billion):



The charts clearly illustrate that a significant divergence exists between the rating agencies' current views. Using the highest ratings, 21% of the portfolio is below investment grade. Using the lowest ratings, 51% of the portfolio falls below investment grade. The third chart illustrates that the vast majority of Members United's current below-investment-grade exposure was originally purchased with a AAA rating. It is important to note that no new securities have been added to this portfolio since the fall of 2007.

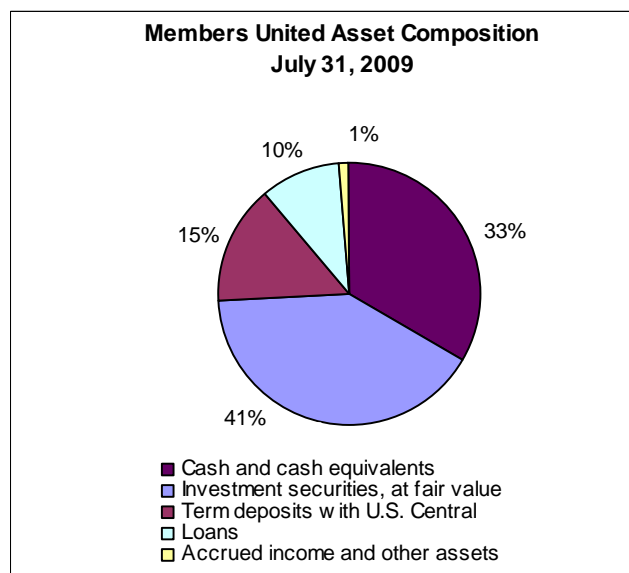
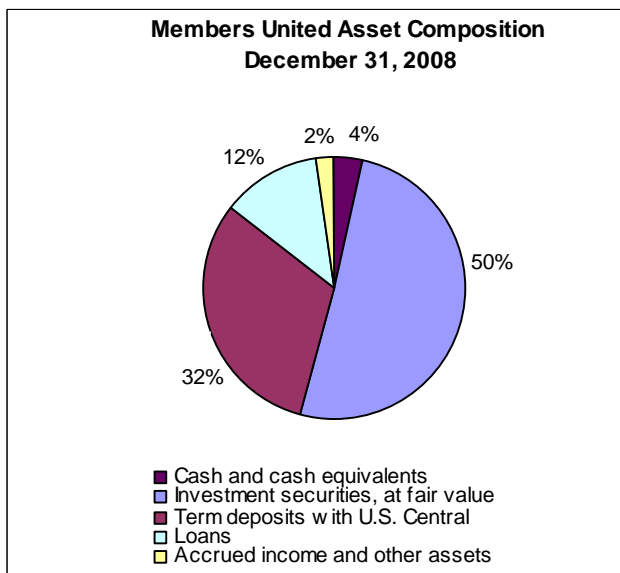
The following charts provide additional ratings information for the non-investment grade portion of the portfolio as of July 31, 2009 (total par value of approximately \$1.2 billion for the highest-rating scenario and \$2.9 billion for the lowest-rating scenario):



Both sets of charts illustrate that rating downgrades continue to occur in the portfolio.

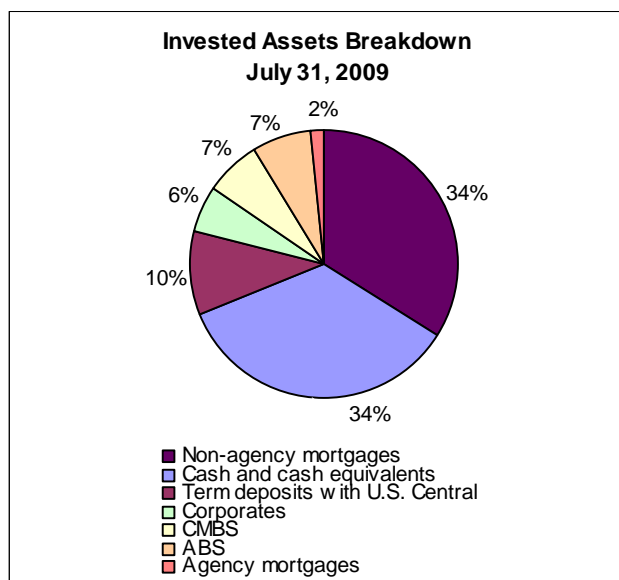
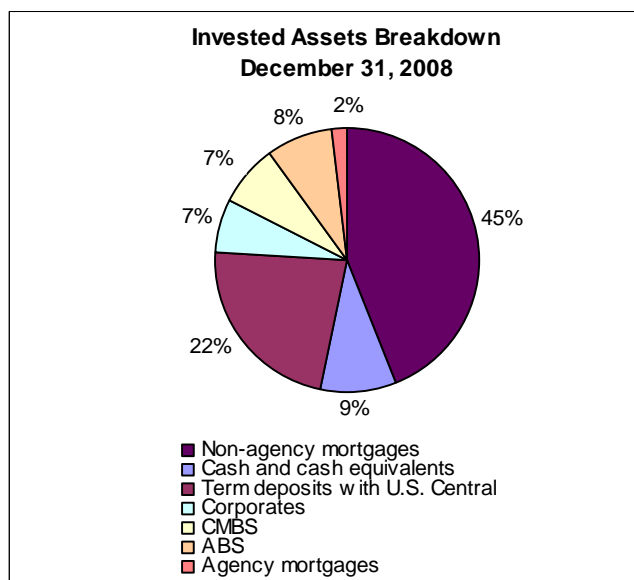
Asset Composition

As of July 31, 2009, total assets were \$8.9 billion. Cash and cash equivalents and overnight deposits at U.S. Central totaled \$3.3 billion, fair value of marketable securities represented \$3.6 billion, loans to members totaled \$0.8 billion, and term deposits at U.S. Central totaled approximately \$1 billion.



## Invested Assets

Members United's asset allocation within its invested asset portfolio has changed considerably since fiscal year-end 2008. Cash and equivalents have increased substantially from 9% to 34% of total investments. At the same time, term deposits with U.S. Central have fallen from 22% to 10%, and non-agency mortgage securities have declined from 45% to 34%.



## Total Investment Portfolio

The table below summarizes Members United's total available-for-sale securities ("AFS"), by category, as of July 31, 2009:

(All dollar amounts are reflected in thousands)

	Book Value	Unrealized Loss*	Fair Value
Non-agency mortgages	\$ 3,230,223	\$ (1,337,066)	\$ 1,893,157
Asset-backed securities (secured by non-mortgage assets)	663,881	(62,748)	601,133
Commercial mortgage-backed securities	658,080	(202,876)	455,204
Corporates	530,654	(48,729)	481,925
Agency mortgages	156,244	(1,352)	154,892
Mutual fund and other	29,014	-	29,014
Total investment securities	\$ 5,268,096	\$ (1,652,771)	\$ 3,615,325
*Excludes net unrealized loss on derivative instruments of \$26,034.			

## Mortgage-Related Securities

The housing market remains under stress, though recent signs point to potential stabilization. While there is continued news of falling home values and rising delinquency and foreclosure rates, especially in certain geographic areas, the pace of this deterioration has declined. The following table provides more information on Members United's non-agency mortgage-related holdings as of July 31, 2009:

(All dollar amounts are reflected in thousands.)

Mortgage Portfolio Category	Dollar Amount Outstanding	Percent of Non-Agency, Mortgage-Related Securities	Percent of Total Invested Assets*
Total non-agency mortgage exposure	\$3,230,223	100%	34%
Prime	928,505	29%	10%
Sub-prime (FICOs < 680)	863,901	27%	9%
Alt-A	1,437,817	45%	15%

\*Invested Assets = Book value of AFS securities + deposits at U.S. Central + cash and cash equivalents

## Monoline Insurance Companies

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 downgrades of their insurance financial strength ratings.

Two monoline insurers, FGIC and Syncora Guarantee (SGI), were recently deemed permanently impaired, and residential mortgage-backed securities (MBS) wrapped by these two insurers were subjected to other-than-temporary impairment (OTTI). FGIC continues to pay all claims on its insured obligations as scheduled. However, SGI has ceased paying claims effective April 26, 2009. During July, SGI successfully commuted a significant portion of its insured exposure and restored its policyholder surplus to minimum regulatory requirements. As a result, many market participants now expect imminent approval from the New York Insurance Department for SGI to resume paying claims. Also of note, Ambac was downgraded to CC from BBB by S&P on July 28, 2009, following its announcement of significantly greater-than-expected losses on its CDS exposures. While Ambac continues to be in compliance with its regulatory capital requirements due to the approved release of a majority of its contingency reserves, the amount of cushion for potential additional future losses has fallen substantially.

The following table highlights Members United’s monoline insurance exposure. We note again that holding amounts are reported on a book value basis and are net of any recorded OTTI:

(All dollar amounts are reflected in thousands.)

<b>Monoline</b>	<b>July 31, 2009 Total Holdings Wrapped</b>	<b>July 31, 2009 Total Holdings Wrapped (% of Invested Assets*)</b>
<b>Ambac</b>	\$392,849	4.1%
<b>MBIA</b>	372,023	3.9%
<b>FGIC</b>	117,958	1.2%
<b>FSA</b>	84,100	0.9%
<b>SGI (f.n.a. XLCA)</b>	18,265	0.2%
<b>CIFG</b>	11,047	0.1%
<b>Total</b>	\$996,242	10.4%

\*Invested Assets = Book value of AFS securities + deposits at U.S.

Central + Cash

## 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 (NEV), which measures the net change in the value of our assets, liabilities and off-balance sheet items, 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 to NEV through changes to: yield curve point values, prepayment rates, volatility, credit spreads and basis risk. The resulting market value data information and deviation to “base case” results is reviewed with Management and ALCO.

The chart below demonstrates NEV test results for July 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, instantaneous rise in interest rates reflects a decline in NEV of approximately \$123.6 million or -8.81%.

(All dollar amounts are reflected in thousands.)

<b>Net Economic Value</b>			
<b>July 31, 2009</b>			
	<b>Net Economic Value</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Base net economic value	(1,402,280)	-	-
300 basis point rise in rates	(1,525,857)	(123,577)	(8.81%)

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 option adjusted spread (OAS)-derived prices with prices received from third-party pricing services. Differentials between these two pricing approaches remain quite wide, as most asset-backed security (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 fact, "accumulated other comprehensive income" (AOCI) improved by \$159 million at July 31 versus June 30. Of the 453 marketable securities categorized as "available for sale", 387 or 85% of these bonds improved in price over the past month. Recent spread indications for August show further spread compression in key sectors, suggesting further price appreciation is possible.

In addition to NEV computations, Members United executes monthly net interest income (NII) forecasts under instantaneously shocked and ramped rate scenarios. These are typically 12-month, forward-looking forecasts that are calibrated to the same sector volumes utilized in NEV modeling. Repricing characteristics are reviewed monthly and are adapted to current market conditions, as applicable, to ensure that the most robust assumptions are applied in the forecast simulations. The following table illustrates Members United's projected NII over the next 12 months. As is appropriate with NEV modeling, Members United captures the embedded options (prepayment speeds, "call" provisions, etc.) associated with all on and off balance sheet instruments.

(All dollar amounts are reflected in thousands.)

<b>Net Interest Income Projection</b>			
<b>July 31, 2009 (12-month projection)</b>			
	<b>Net Interest Income</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Base case NII	33,793	-	-
300 basis point rise in rates	62,143	28,350	83.89%

## 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. Liquidity risk is mitigated by the amount of currently available liquidity. This can be in the form of cash that can be immediately utilized or in readily available sources of liquidity such as borrowings. The following table outlines our sources of liquidity as of July 31, 2009:

(All dollars are reflected in thousands)

<b>Current Liquidity</b>			
Cash and short term deposits	\$ 1,450,208		
Source of Liquidity	Gross	Used	Net
FHLB Chicago line of credit	\$ 240,000	\$ 230,000	\$ 10,000
US Central - advised line	885,268	165,353	719,915
State of Illinois deposit	100,000	50,000	50,000
Available-for-sale securities - sales	1,374,906	-	1,374,906
Available-for-sale securities - borrowings	43,172	-	43,172
Fed funds	913,000	-	913,000
Fed discount window	821,437	-	821,437
<b>Subtotal</b>	<b>4,377,783</b>	<b>445,353</b>	<b>3,932,430</b>
<b>Total</b>	<b>\$ 5,827,991</b>	<b>\$ 445,353</b>	<b>\$ 5,382,638</b>
<b>Total member loans</b>		<b>\$ 891,447</b>	
<b>Balances at the FRB</b>		<b>\$ 1,857,978</b>	

Liquidity remains very strong. Current cash positions, between balances held at the Federal Reserve Bank (FRB) and other cash accounts, total just over \$3.3 billion at month end. Even after adjustment for required reserve balances (about \$300 million), available cash totals about \$3 billion. We also maintain liquidity facilities with U.S. Central and have access to the FRB discount window. These additional sources of liquidity total over \$1.6 billion of currently untapped liquidity sources. While liquidity remains strong and above seasonal trend lines, we are beginning to see some normal summer seasonality. Liquidity remains a key and strong resource, as it allows us to continue to hold securities whose market values are distressed due to dislocation in housing and mortgage markets. Members United continues to participate in the temporary corporate credit union liquidity guarantee program (TCCULGP) provided under the Corporate Credit Union Stabilization Fund. All new certificates, under two years, are covered as well as all overnight share accounts. This guarantee program is supported by the full faith and credit of the U.S. government.

## Derivative Positions

Members United uses interest rate swaps to manage interest rate risk and has 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 July 31, 2009, there was no credit exposure with our derivative counterparties.

## Financial Plan Update

Members United continues to follow a financial plan that is designed with one goal in mind – to minimize the ultimate losses to our member credit unions by holding securities until they mature. While principal losses are expected, the losses would be greater if the securities were sold in the current market. In summary, Members United continues to:

- Participate in the TCCULGP – Recently, the NCUA Board approved a rolling two-year guarantee that would extend to 12/31/2011
- Continue suspension of mortgage investment purchases
- Hold securities until they recover in value
- Use cash inflows to pay down debt and store cash
- Reduce operating expenses to preserve capital

Members United remains focused on following this plan which is achieving the desired results. Significant operating expense savings also continue to be realized – actual year-to-date expenses are down \$7.5 million in 2009 compared to the prior year.

### July Income Statement Results and Additional Depletion of U.S. Central Capital Share Investments

As previously announced, Members United recorded a net loss of \$78.0 million for the month of July 2009 as U.S. Central depleted an additional \$80.9 million of our membership capital shares (MCS). This monthly loss follows June's recorded loss of the \$79.3 million due to additional OTTI charges. In total, U.S. Central has depleted \$233.7 million of capital investments held by Members United, with a balance of \$74.6 million remaining.

### Status of the 2008 Audit

Members United has charged off \$233.7 million of its capital investments at U.S. Central and still holds \$74.6 million of membership capital shares that have not been depleted as of the date of this report. U.S. Central's audited financial statements will help determine if additional charges are required before Members United can finalize its audited financial statements.

### Retained Earnings Roll Forward Schedule

While Members United waits on U.S. Central for its 2008 audited financial statements, the following schedule has been prepared to highlight several significant transactions that have occurred since November 30, 2008. In summary, retained earnings of \$300.4 million as of November 30, 2008, now represent a deficit of \$(279.7) million as of July 31, 2009, representing a decline of \$580 million over the course of this time period.

(All dollar amounts are reflected in thousands)

Retained earnings roll forward - UNAUDITED	
<b>Retained earnings as of November 30, 2008</b>	\$ 300,397
Depletion of U.S. Central capital accounts recorded for December	(152,736)
NCUSIF stabilization expense	(1,940)
Additional allowance for CUSO loan and miscellaneous	(9,490)
Other than temporary impairment (OTTI) on AFS securities (fair value)	(868,408)
Retained deficit as of December 31, 2008	(732,177)
Reverse non-credit portion of OTTI upon adoption of FSP 115-2	603,076
Retained deficit on 1/1/09	(129,101)
Net income January 2009 through May 2009	6,799
June 2009 net loss (including \$81.9 million of additional OTTI)	(79,320)
July 2009 net loss (including \$80.9 million of US Central MCS depletion)	(78,042)
<b>Retained deficit on July 31, 2009</b>	<b>\$ (279,664)</b>

The unaudited balance sheet, income statement and capital calculations are included at the end of this report. It should be noted that while Members United's capital ratio stands at 3.12% and is below the 5.0% regulatory

requirement, the NCUA issued an order recently that provides a waiver for determining regulatory compliance with several capital-based requirements and allows corporates to reference their November 30, 2008, capital levels, which exceeded the 5.0% requirement for Members United.

### Capital Depletion Considerations

Once audited financial statements become available, Members United will be required to reduce (deplete) our credit unions' capital accounts to replenish the retained deficit. This requirement is explained further in the NCUA letter 09-CU-10 "Matters Related to Paid-In-Capital and Membership Capital of Corporate Credit Unions."

Depletion of member capital would be based on an allocation of the retained deficit subsequent to the reversal of the non-credit portion of OTTI. Given uncertainties surrounding the ultimate accounting treatment of Members United's capital investments in U.S. Central, the following table provides two scenarios and the resulting impact on our credit unions' PIC and MCS accounts held at Members United. The first scenario details what would happen to member capital given what is known at this time concerning OTTI at Members United and the impairment of Members United's capital at U.S. Central as of July 31, 2009 (63% depletion). The second scenario holds the OTTI level at Members United constant, but assumes that the remaining capital investment at U.S. Central (\$74.6 million, 100% depletion) ultimately becomes impaired.

<u>Scenario 1 - Assumes no additional OTTI and U.S. Central MCS impaired to 63%</u>				
<i>(\$'s in thousands)</i>				
	Capital Base Prior to Depletion Entry	Depletion Adjustments	Capital Base After Depletion Entry	Depletion Percentage
Retained (deficit) earnings	\$ (279,664)	\$ 279,664	\$ -	
Paid-in capital shares	79,440	(79,440)	-	100%
Qualifying membership capital shares	475,260	(200,224)	275,036	42%
Total capital	<u>\$ 275,036</u>	<u>\$ -</u>	<u>\$ 275,036</u>	
Capital ratio	3.12%			

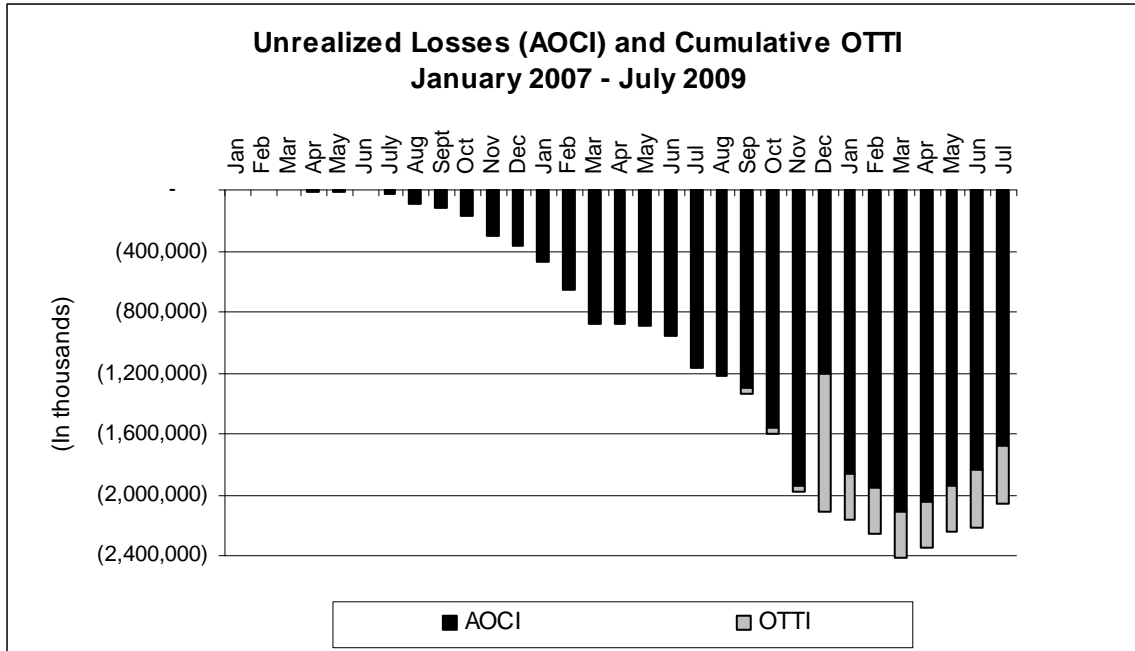
<u>Scenario 2 - Same assumptions as Scenario 1 except full impairment of the remaining \$74.6 million of U.S. Central MCS is required</u>				
<i>(\$'s in thousands)</i>				
	Capital Base Prior to Depletion Entry	Depletion Adjustments	Capital Base After Depletion Entry	Depletion Percentage
Retained (deficit) earnings	\$ (354,225)	\$ 354,225	\$ -	
Paid-in capital shares	79,440	(79,440)	-	100%
Qualifying membership capital shares	475,260	(274,785)	200,475	58%
Total capital	<u>\$ 200,475</u>	<u>\$ -</u>	<u>\$ 200,475</u>	
Capital ratio	2.27%			

In both examples, PIC shares are fully exhausted. If no additional charges are required for investments in U.S. Central's capital, approximately 42% of our credit unions' MCS would be depleted. However, if the remaining \$74.6 million of investments in U.S. Central's capital shares is required, Members United would, in turn, need to deplete approximately 58% of membership capital shares to eliminate the retained deficit.

Scenario 1 results in a capital ratio of 3.12%, while Scenario 2 would result in a 2.27% capital ratio.

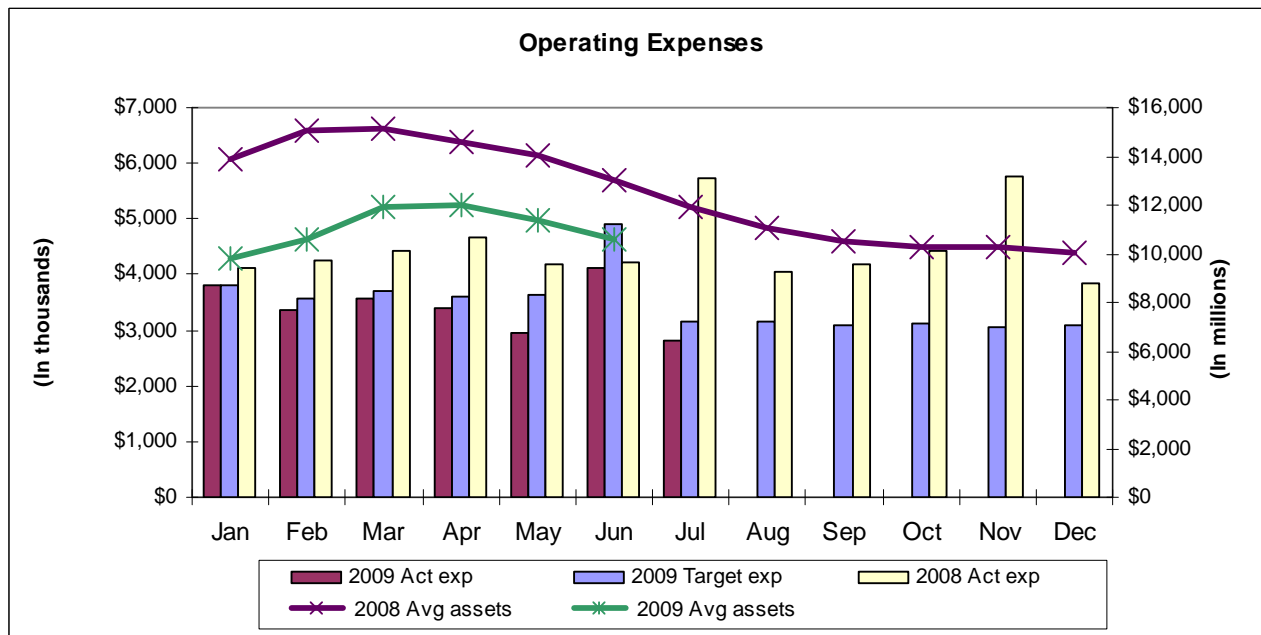
## Valuation Trends

Investment valuations have improved slightly over the past four months, as illustrated in the following chart. For comparability purposes, the chart adds the current unrealized loss (AOCI) and all OTTI that has been recorded since September 2008. Aggregating this data improves comparability of this trend since OTTI essentially represents a reclass from the balance sheet (AOCI) to the income statement (OTTI), when losses are deemed other-than-temporary.



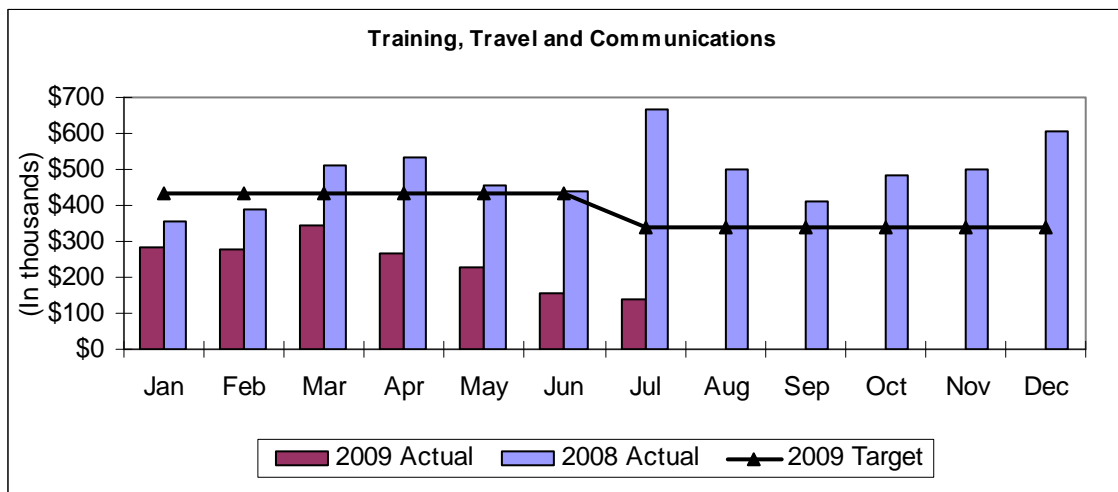
## Total Operating Expenses - Plan Update

Members United continues to realize significant cost savings relative to last year. On a year-to-date basis through July 2009, total expenses are \$7.5 million **less** than expenses incurred through July 2008.



## Travel, Training and Communication Expense – Update

Travel, training and communications expense is approximately 11% of the total annual operating expense budget and represents a primary focus of the cost savings initiatives in 2009. These expenses totaled \$139,000 for the month of July. The following table presents results against plan.



For the month of July 2009, the executive leadership team expense reports totaled \$5,292, which included the cost of six trips. Two of these trips occurred during the month of June but related costs were reflected in the July credit card statements. At July 31, 2009, the executive leadership team includes Joe Herbst, Todd Adams, Kevin Brauer, Jane Brent, John Collins and Ron Koza. The following table provides more detailed information regarding leadership team travel:

### Leadership Team Travel and Expenses July 31, 2009

Date	Name	Estimated Costs	From/To	Purpose
6/21/2009	Kevin Brauer	\$ 1,374	Albany to Boston	America's credit union expo
7/7/2009	Kevin Brauer	770	Albany to Chicago	Strategic planning meetings in the Warrenville office
7/15/2009	Kevin Brauer	837	Albany to Chicago	NCUA exam exit meeting in Warrenville office
6/21/2006	Joe Herbst	765	Albany to Boston	America's credit union expo
7/6/2009	Joe Herbst	207	Albany to Chicago	Strategic planning meetings in the Warrenville office
7/14/2009	Joe Herbst	447	Albany to Chicago	Leadership team meetings and meetings with direct reports
<b>Total travel related expenses</b>		4,400		
<b>Incidentals not tied to a specific trip</b>		892		
<b>Total ELT expenses</b>		\$ 5,292		

## Ratings

During August 2009, Members United requested the issuer rating services be suspended for the foreseeable future. Liquidity sources no longer rely on ratings but instead rely on the various guarantee programs and acceptable collateral positions. Terminating this service reduces expenses.

## Unaudited Financial Information as of July 31, 2009

A summarized balance sheet, income statement and capital ratios are provided below:

**MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION**  
**CONSOLIDATED BALANCE SHEETS**  
**JULY 31, 2009**  
**UNAUDITED**  
*(in thousands)*

	<u>July 31,</u>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,952,493	\$ 62,083
Overnight deposits at U.S. Central	355,693	1,221,335
Investment securities, at fair value	3,615,325	5,535,202
Interest earning deposits at U.S. Central	959,829	2,104,570
Loans to members and affiliates, net	817,638	965,088
Participation loans, net	73,809	94,893
Fixed assets, net	9,505	10,047
Accrued income and other assets	83,025	140,539
<b>Total assets</b>	<u>\$ 8,867,317</u>	<u>\$ 10,133,757</u>
<b>Liabilities and Members' Equity</b>		
Borrowings and other liabilities		
U.S. Central borrowings	\$ 165,353	\$ 273,767
Securities sold under agreements to repurchase	-	538,707
Federal Home Loan Bank	233,772	4,528
Federal funds	-	42,000
Commercial paper	-	144,588
Other borrowings	50,266	106,247
Accrued expense and other liabilities	98,900	95,817
Total borrowings and other liabilities	548,291	1,205,654
Members' equity		
Shares and certificates	9,722,795	9,206,903
Membership capital shares	475,260	484,277
Paid-in capital shares	79,440	79,440
Retained (deficit) earnings	(279,664)	330,985
Total capital	275,036	894,702
Accumulated other comprehensive loss	(1,678,805)	(1,173,502)
Total members' equity	8,319,026	8,928,103
<b>Total liabilities and members' equity</b>	<u>\$ 8,867,317</u>	<u>\$ 10,133,757</u>

**MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**AS OF JULY 31, 2009**  
**UNAUDITED**  
*(in thousands)*

	Month Ended		Year-to-Date		Notes
	July 31,		July 31,		
	2009	2008	2009	2008	
<b>Interest income</b>					
Investments	\$ 8,058	\$ 28,201	\$ 71,746	\$ 275,049	
Loans	3,278	3,677	25,318	22,648	
Total interest income	<u>11,336</u>	<u>31,878</u>	<u>97,064</u>	<u>297,697</u>	
<b>Interest expense</b>					
Members' accounts	7,732	24,054	63,099	224,742	
Borrowings	725	3,170	12,585	37,576	
Total interest expense	<u>8,457</u>	<u>27,224</u>	<u>75,684</u>	<u>262,318</u>	
Net interest income	2,879	4,654	21,380	35,379	
<b>Noninterest income</b>					
Service fee income, net	1,943	1,458	13,425	11,703	
Other income	87	53	372	145	
Total noninterest income	<u>2,030</u>	<u>1,511</u>	<u>13,797</u>	<u>11,848</u>	
<b>Noninterest expense</b>					
Salaries and employee benefits	1,906	2,695	15,003	18,781	
Training, travel and communications	139	666	1,688	3,353	
Office operations	309	374	2,238	2,501	
Professional and outside services	267	551	3,015	3,110	
Office occupancy	153	1,339	1,578	2,865	
Other	53	90	513	922	
Total noninterest expense	<u>2,827</u>	<u>5,715</u>	<u>24,035</u>	<u>31,532</u>	
<b>Net income before net loss on financial instruments</b>	<u>2,082</u>	<u>\$ 450</u>	<u>11,142</u>	<u>15,695</u>	
<b>Net loss on financial instruments</b>	<u>(80,124)</u>	<u>(1,312)</u>	<u>(161,704)</u>	<u>(5,261)</u>	A
<b>Net (loss) income</b>	<u>\$ (78,042)</u>	<u>\$ (862)</u>	<u>\$ (150,562)</u>	<u>\$ 10,434</u>	

**Notes**

- A** The income statement has been formatted to show net losses on financial instruments as a line below core operating earnings. This includes gains and losses that have been realized (i.e., the security has been sold and a cash gain or loss has been realized) as well as fair value adjustments on our derivative portfolio.

**MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION**  
**KEY FINANCIAL INFORMATION**  
**JULY 31, 2009**  
**UNAUDITED**  
*(in thousands)*

**Capital Ratios**

	July 31,		November 30,	Regulatory Limits or Thresholds
	2009	2008	2008	
Qualifying membership capital shares	\$ 475,260	\$ 484,277	\$ 486,066	
Paid-in capital shares	79,440	79,440	79,440	
Retained (deficit) earnings	(279,664)	330,985	300,396	
Total capital	<u>\$ 275,036</u>	<u>\$ 894,702</u>	<u>\$ 865,902</u>	
12-month daily average net assets	\$ 8,824,136	\$ 12,910,335	\$ 11,950,268	
Capital ratio	3.12%	6.93%	7.25%	5.00%
Core capital ratio	-2.27%	3.18%	3.18%	3.00%
Retained earnings ratio	-3.17%	2.56%	2.51%	2.00%

**Supplemental Valuation Information**

	Balance
Non-agency mortgages	\$ (1,337,066)
Asset-backed securities	(62,748)
Commercial mortgage-backed securities	(202,876)
Corporates	(48,729)
Agency mortgages	(1,352)
Derivative instruments	(26,034)
Accumulated other comprehensive loss	<u>\$ (1,678,805)</u>

**Summary**

Members United appreciates your continued support and patience as we work through the accounting and reporting requirements. Members United remains committed to contributing to the long-term financial success of our members and will continue to work towards minimizing any losses incurred.

**Contact Information**

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

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