



Consolidated Financial Statements

Unaudited

Members' share and certificate accounts represent an ownership interest in Members United and beginning January 1, 2008, we elected to report these accounts as members' equity on our monthly interim and unaudited balance sheet reports. This presentation also presents a clear legal priority format to transparently illustrate how losses, if ever realized, would be allocated. It should be noted that Generally Accepted Accounting Principles (GAAP) would require members' accounts to be reported as liabilities.

August 31, 2008



Contact Information:

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Chief Financial Officer

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September 24, 2008

To our members,

Members United's net income of \$12.4 million through August 31, 2008, compares favorably to the \$7.2 million earned for the same period in 2007. The current market has stressed the market value of our investments, and the effects of the market stress are visible on the financial statements in the form of unrealized losses on the balance sheet. Unrealized losses totaled \$1.2 billion as of August 31, 2008, which is an increase of \$43 million over the prior month.

On September 15, 2008, Lehman Brothers declared bankruptcy. Members United has \$45 million invested in Lehman, which represents a small portion of the \$140 billion of debt that is outstanding worldwide for this firm. Lehman's bankruptcy will create an OTTI (other-than-temporary impairment) charge for Members United in September. Over the next several days, we will be monitoring market reaction and gathering additional information on the bankruptcy proceedings and will provide a more detailed update at the upcoming monthly member webinar.

From a balance sheet perspective, assets totaled \$10.3 billion as of August 31, 2008, compared to \$12.1 billion one year earlier. Many factors contribute to the asset decline such as tightening credit union industry liquidity driven by a combination of stronger loan growth at member credit unions and more modest share growth as other financial institutions are heavily competing for consumer deposits. Additionally member credit unions have been pursuing higher yields currently available from banks issuing in the brokered certificate market and from securities available in the capital markets. This activity is consistent with historical trends when higher-yielding options are available to our members.

In response, we recently offered certificate specials to better compete with these market alternatives. We recognize that your ongoing deposits will help provide us with the liquidity to maintain a strong corporate network. As a financial cooperative, your continued support ensures we have the liquidity and capital to come through these challenging economic times together.

In addition to these financial statements, additional information has been posted on the website such as the *Portfolio Update* and recordings of the monthly member webinars.

Respectfully submitted,

Todd M. Adams
Chief Financial Officer

MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
CONSOLIDATED BALANCE SHEETS - (REGULATORY CAPITAL FORMAT)
AUGUST 31, 2008
(in thousands)

	August 31,		December	Notes
	2008	2007	2007	
Assets				
Cash and cash equivalents	\$ 99,301	\$ 100,469	\$ 102,935	
Overnight deposits at U.S. Central	1,689,288	930,831	2,172,714	
Investment securities, at fair value	5,224,469	6,840,765	6,718,171	A
Interest earning deposits at U.S. Central	1,981,503	3,473,364	4,186,602	
Loans to members and affiliates	1,046,582	605,780	671,151	
Participation loans, net	95,008	49,675	55,338	
Fixed assets, net	9,929	11,974	11,544	
Accrued income and other assets	147,141	99,653	129,238	
Total assets	\$ 10,293,221	\$ 12,112,511	\$ 14,047,693	
Liabilities and Members' Equity				
Borrowings and other liabilities				
U.S. Central borrowings	\$ 883,338	\$ 402,096	\$ 1,637,876	
Commercial paper	11,977	61,709	146,076	
Securities sold under agreements to repurchase	494,996	195,857	949,507	
Other borrowings and liabilities	538,092	379,318	679,233	
Total borrowings and other liabilities	1,928,403	1,038,980	3,412,692	
Members' equity				
Shares and certificates	8,685,035	10,319,954	10,113,991	
Membership capital shares	483,990	485,511	485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	332,986	311,710	319,962	
Total regulatory capital	896,416	876,661	884,657	B
Accumulated other comprehensive loss	(1,216,633)	(123,084)	(363,647)	C
Total members' equity	8,364,818	11,073,531	10,635,001	
Total liabilities and members' equity	\$ 10,293,221	\$ 12,112,511	\$ 14,047,693	

Notes:

- A** Members United classifies 100% of its marketable securities as "Available for Sale" under FAS 115 and is required to value each security and record the adjustment as "Accumulated other comprehensive loss". See note **C** below.
- B** The balance sheet has been reformatted to better highlight regulatory capital. Please note that membership capital shares have a 3-year notice of withdrawal and paid-in capital shares have a maturity in excess of 10 years. Due to the longer term maturity features of these accounts, they do not qualify as equity under generally accepted accounting principles but do qualify as regulatory capital and would be positioned to absorb realized losses in excess of reserves and undivided earnings.
- C** This account primarily represents the unrealized loss associated with Members United's marketable securities. Unrealized losses have not been recognized into income because the securities are of high credit quality (investment grade with a majority rated at the highest AAA or AA levels), Members United has the intent and ability to hold these securities until the anticipated recovery, and the decline in fair value is largely due to unique market events that have reduced demand for these type of securities. The fair value is expected to recover as the securities approach maturity date or as market volatility stabilizes and returns to more historic levels.

MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
CONSOLIDATED STATEMENTS OF INCOME
AS OF AUGUST 31, 2008
(in thousands)

	Month Ended		Year-to-Date		Notes
	August 31,		August 31,		
	2008	2007	2008	2007	
Interest income					
Investments	\$ 25,500	\$ 49,531	\$ 300,550	\$ 389,607	
Loans	4,028	2,928	26,676	16,586	
Total interest income	<u>29,528</u>	<u>52,459</u>	<u>327,226</u>	<u>406,193</u>	
Interest expense					
Members' accounts	21,835	44,996	246,577	362,688	
Borrowings	3,430	3,053	41,006	13,522	
Total interest expense	<u>25,265</u>	<u>48,049</u>	<u>287,583</u>	<u>376,210</u>	
Net interest income	4,263	4,410	39,643	29,983	
Noninterest income					
Service fee income, net	1,723	1,704	13,426	13,696	
Other income	54	0	198	100	
Net realized losses	9	(420)	(894)	(3,950)	A
Total noninterest income	<u>1,786</u>	<u>1,284</u>	<u>12,730</u>	<u>9,846</u>	
Noninterest expense					
Salaries and employee benefits	2,445	2,582	21,226	19,848	
Training, travel and communications	500	371	3,853	3,547	
Office operations	337	426	2,838	3,057	
Professional and outside services	341	301	3,451	3,112	
Office occupancy	326	244	3,191	2,197	
Other	102	100	1,024	917	
Total noninterest expense	<u>4,051</u>	<u>4,024</u>	<u>35,583</u>	<u>32,678</u>	
Net income before fair value adjustments	<u>1,998</u>	<u>1,670</u>	<u>16,790</u>	<u>7,151</u>	
Fair value adjustments	3	-	(4,354)	-	B
Net income	<u>\$ 2,001</u>	<u>\$ 1,670</u>	<u>\$ 12,436</u>	<u>\$ 7,151</u>	

Notes

- A** Gains and losses that have been realized (i.e., the security has been sold and a cash gain or loss has been realized) will be reported in this line item. Fair value, impairment or other accounting adjustments that do not represent gains or losses on cash sales will be reported separately. See note **B** below.
- B** Accounting rules such as SFAS 115, SFAS 133 and SFAS 159 are increasingly requiring financial institutions to record at fair value assets, liabilities and derivatives and charge changes in unrealized gains or losses to the income statement. This account will report those fair value adjustments. In the event a position is sold at a cash gain or loss, the amount will be reclassified to the account described in Note **A** above.

MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
KEY FINANCIAL INFORMATION
AUGUST 31, 2008
(in thousands)

Capital Ratios

	August 31,		December 31,	Regulatory Limits or Thresholds
	2008	2007	2007	
Qualifying membership capital shares	\$ 483,990	\$ 485,511	\$ 485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	332,986	311,710	319,962	
Total regulatory capital	<u>\$ 896,416</u>	<u>\$ 876,661</u>	<u>\$ 884,657</u>	
12-month daily average net assets	\$ 12,758,912	\$ 10,770,876	\$ 11,926,799	
Capital ratio	7.03%	8.14%	7.42%	5.00%
Core capital ratio	3.23%	3.63%	3.35%	3.00%
Retained earnings ratio	2.61%	2.89%	2.68%	2.00%

Net Economic Value
August 31, 2008

	Net Economic Value	Dollar Change	Actual Percentage Change	Policy
300 basis point rise in rates	\$ (686,456)	\$ (354,510)	A	(28%)
Base net economic value	(331,946)			
100 basis point decline in rates	(303,847)	28,099	A	

A Unrealized losses associated with marketable securities decrease the base net economic value which has resulted in percentage change calculations exceeding the policy limit. It is likely that this will continue to occur until the market stabilizes. Members United has notified the NCUA of the policy violation and believes that investment positioning is not required at this time as the event was triggered by an overall increase in the volatility and pricing assumptions embedded in the calculation. Please refer to the Portfolio Update for more information regarding market events.

Issuer Ratings

	Rating Type	Rating	
Moody's	Short term	P-1	
Standard and Poor's	Short term	A-1+	
Fitch	Short term	F1+	negative watch
	Long term	AA-	negative watch
	Individual	A/B	negative watch

Supplemental Valuation Information

	Balance
Non-agency mortgages	\$ (1,050,759)
Asset-backed securities	(41,945)
Commercial mortgage-backed securities	(66,235)
Corporates	(44,516)
Agencies	(971)
Derivative instruments	(12,207)
Accumulated other comprehensive loss	<u>\$ (1,216,633)</u>