



# Consolidated Financial Statements

*Unaudited*

January 31, 2008



Contact Information:

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To our members,

We realize that our credit unions place much more than deposits with Members United – they also place their trust. With this in mind, your corporate remains committed to providing clear, concise and timely financial information. Effective January 2008, the balance sheet has been re-formatted to better highlight regulatory capital and additional information has been provided as notes to the respective financial report.

Net income totaled \$2.8 million for the month of January 2008. Excluding \$590,000 of favorable fair value adjustments (which we do not regard as core earnings but instead as accounting entries that may reverse over time) net income totaled \$2.2 million.

Total assets were \$14.4 billion compared to \$10.1 billion one year earlier. Member shares and certificates accounted for \$2.6 billion of the increase and borrowings were higher by \$2.0 billion as Members United stored liquidity and tested its lines. Short term cash accounts on deposit with U.S. Central totaled \$2.1 billion as of January 31, 2008.

Accumulated other comprehensive (unrealized) loss increased from December 31, 2007 by \$106 million. Please note that 100 percent of the \$6.6 billion marketable securities portfolio is classified as “available for sale” which requires each position to be priced to market with the offsetting entry recorded as a component of equity. In practice, Members United holds most of its marketable securities until maturity and believes that these unrealized losses are temporary in nature due to unique market events that have reduced demand for these securities.

Last, the Financial Accounting Standards Board remains committed to releasing rules that increasingly require financial assets and liabilities to be recorded at fair value with changes recorded through the income statement. On January 1, 2008, Members United adopted SFAS 159, “The Fair Value Option for Financial Assets and Liabilities”. Implementation resulted in an insignificant increase to beginning equity. This rule will most likely increase net income volatility so a separate line labeled “Fair value adjustments” has been added to the income statement to clearly capture the effects of this rule along with the effects of other fair value accounting adjustments that are required to be recorded against the income statement. Fair value adjustments of approximately \$590,000 were recorded for the month of January as referenced above.

Respectfully,

Todd M. Adams  
Chief Financial Officer

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

	January 31,		December 31,	Notes
	2008	2007	2007	
<b>Assets</b>				
Cash and cash equivalents	\$ 88,999	\$ 120,889	\$ 102,935	
Investment securities, at fair value	6,557,469	4,893,059	6,718,171	A
Interest earning deposits at U.S. Central	6,624,160	4,545,706	6,359,316	
Loans to members and affiliates	834,051	441,485	671,151	
Participation loans, net	55,668	53,331	55,338	
Fixed assets, net	11,448	12,626	11,544	
Accrued income and other assets	162,822	69,980	129,238	
<b>Total assets</b>	<b>\$ 14,334,617</b>	<b>\$ 10,137,076</b>	<b>\$ 14,047,693</b>	
<b>Liabilities and Members' Equity</b>				
Borrowings and other liabilities				
U.S. Central borrowings	\$ 1,537,593	\$ 42,732	\$ 1,637,876	
Commercial paper	79,388	89,589	146,076	
Securities sold under agreements to repurchase	949,468	100,413	949,507	
Other borrowings and liabilities	391,226	657,244	679,233	
Total borrowings and other liabilities	2,957,675	889,978	3,412,692	
Members Equity				
Shares and certificates	10,959,330	8,378,965	10,114,863	
Membership capital shares	484,973	484,371	484,383	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	323,329	304,963	319,962	
Total regulatory capital	887,742	868,774	883,785	B
Accumulated other comprehensive loss	(470,130)	(641)	(363,647)	C
Total members' equity	11,376,942	9,247,098	10,635,001	
<b>Total liabilities and members' equity</b>	<b>\$ 14,334,617</b>	<b>\$ 10,137,076</b>	<b>\$ 14,047,693</b>	

**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 principals 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 JANUARY 31, 2008**  
*(in thousands)*

	Month Ended		Notes
	January 31,		
	2008	2007	
<b>Interest income</b>			
Investments	\$ 53,473	\$ 39,556	
Loans	3,399	2,303	
Total interest income	<u>56,872</u>	<u>41,859</u>	
<b>Interest expense</b>			
Members' accounts	40,242	36,828	
Borrowings	11,901	2,107	
Total interest expense	<u>52,143</u>	<u>38,935</u>	
Net interest income	4,729	2,924	
<b>Noninterest income</b>			
Service fee income, net	1,563	1,707	
Other income	1	7	
Net realized gains (losses)	-	23	<b>A</b>
Total noninterest income	<u>1,564</u>	<u>1,737</u>	
<b>Noninterest expense</b>			
Salaries and employee benefits	2,672	2,713	
Training, travel and communications	355	352	
Office operations	333	351	
Professional and outside services	396	364	
Office occupancy	202	277	
Other	147	199	
Total noninterest expense	<u>4,105</u>	<u>4,256</u>	
<b>Net income before fair value adjustments</b>	<u>2,188</u>	<u>405</u>	
<b>Fair value adjustments</b>	590	-	<b>B</b>
<b>Net income</b>	<u>\$ 2,778</u>	<u>\$ 405</u>	

**Notes**

- A** Gains and losses that have been realized (ie, 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**  
**JANUARY 31, 2008**  
*(in thousands)*

**Capital Ratios**

	January 31,		December 31,	Regulatory Limits or Thresholds
	2008	2007	2007	
Qualifying membership capital shares	\$ 484,973	\$ 484,371	\$ 484,383	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	323,329	304,963	319,962	
Total regulatory capital	<u>\$ 887,742</u>	<u>\$ 868,774</u>	<u>\$ 883,785</u>	
12-month daily average net assets	\$ 12,267,078	\$ 9,226,664	\$ 11,926,799	
Capital ratio	7.24%	9.42%	7.41%	5.00%
Core capital ratio	3.28%	4.17%	3.35%	3.00%
Retained earnings ratio	2.64%	3.31%	2.68%	2.00%

**Net Economic Value**  
**January 31, 2008**

	Net Economic Value	Dollar Change	Actual Percentage Change	Policy
300 basis point rise in rates	\$ 193,493	\$ (201,567)	-51.0%	-28.0%
Base net economic value	395,060	-	-	-
200 basis point decline in rates	461,517	66,457	16.8%	

Due to market volatility, Members United's net economic value change exceeded the policy limit as of January 31, 2008. It is likely that that this will continue to occur until markets stabilize. Members United is required to notify the NCUA 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+
	Long term	AA-
	Individual	A/B

**Supplemental Valuation Information**

	Balance
Asset backed securities	\$ (287,688)
Collateralized mortgage obligations	(146,663)
Corporate debt	(22,778)
Other financial instruments	(13,001)
Accumulated other comprehensive loss	<u>\$ (470,130)</u>