



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.

July 31, 2008



Contact Information:

Todd Adams

Chief Financial Officer

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August 27, 2008

To our members,

Members United's net income of \$10.4 million through July 31, 2008, compares favorably to the \$5.5 million earned for the same period in 2007. Members United continues to enjoy a good margin environment as the spread between LIBOR (the rate earned on investments) and Fed Funds (the rate paid on member share accounts) continues to be higher than historical results.

For the month ended July 31, 2008, Members United recognized a net loss of \$0.9 million. This is primarily due to a lease termination expense of \$1.1 million, which will result in lower rent expense over the remaining life of the lease, and an unfavorable fair value adjustment of \$1.3 million related to our only mutual fund investment. Specifically, Members United owns \$26 million of the Shay mutual fund which invests in high quality mortgage assets. We account for this investment as a trading position and changes in the net asset value of the fund flow through the income statement.

Assets totaled \$10.1 billion as of July 31, 2008, compared to \$11.6 billion one year earlier. The current market has stressed the market value of our investments; however, we continue to receive all scheduled principal and interest payments. The effects of the market stress are visible on the financial statements in the form of unrealized losses on the balance sheet. All of Members United's marketable securities are 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 generally holds its marketable securities until maturity, and believes that the market value of these investments will recover over time.

Unrealized losses totaled \$1.2 billion as of July 31, 2008, compared to \$1 billion one month earlier. We continue to believe that these current market values do not represent the true economic value of these investments as a significant liquidity discount is being built into the pricing of the positions.

Future net income could suffer if investment principal losses were clearly expected. This would require us to record, through the income statement, permanent impairment charges (for example, losses would be recorded if Members United purchased a bond at \$100 and now clearly expects to receive only \$90 in principal over the life of the investment). Members United has not recorded permanent impairment and still believes that the majority, if not all, the unrealized losses will ultimately turn out to be temporary.

In summary, as long as Members United retains the support of its membership base, we expect that real cash losses, if any, from the investments over the next two to three years will be manageable from a capital perspective.

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

Respectfully submitted,

Todd M. Adams
Chief Financial Officer

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

	July 31,		December	Notes
	2008	2007	2007	
Assets				
Cash and cash equivalents	\$ 62,083	\$ 149,896	\$ 102,935	
Overnight deposits at U.S. Central	1,221,335	659,581	2,172,714	
Investment securities, at fair value	5,535,202	6,871,009	6,718,171	A
Interest earning deposits at U.S. Central	2,104,570	3,228,201	4,186,602	
Loans to members and affiliates	965,088	544,242	671,151	
Participation loans, net	94,893	50,169	55,338	
Fixed assets, net	10,047	12,044	11,544	
Accrued income and other assets	140,539	98,113	129,238	
Total assets	\$ 10,133,757	\$ 11,613,255	\$ 14,047,693	
Liabilities and Members' Equity				
Borrowings and other liabilities				
U.S. Central borrowings	\$ 273,767	\$ 40,264	\$ 1,637,876	
Commercial paper	144,588	94,680	146,076	
Securities sold under agreements to repurchase	538,707	-	949,507	
Other borrowings and liabilities	248,592	432,853	679,233	
Total borrowings and other liabilities	1,205,654	567,797	3,412,692	
Members' equity				
Shares and certificates	9,206,903	10,198,352	10,113,991	
Membership capital shares	484,277	486,024	485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	330,985	310,039	319,962	
Total regulatory capital	894,702	875,503	884,657	B
Accumulated other comprehensive loss	(1,173,502)	(28,397)	(363,647)	C
Total members' equity	8,928,103	11,045,458	10,635,001	
Total liabilities and members' equity	\$ 10,133,757	\$ 11,613,255	\$ 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 JULY 31, 2008
(in thousands)

	Month Ended July 31,		Year-to-Date July 31,		Notes
	2008	2007	2008	2007	
Interest income					
Investments	\$ 28,201	\$ 50,436	\$ 275,049	\$ 340,076	
Loans	3,677	2,450	22,648	13,658	
Total interest income	<u>31,878</u>	<u>52,886</u>	<u>297,697</u>	<u>353,734</u>	
Interest expense					
Members' accounts	24,054	47,736	224,742	317,692	
Borrowings	3,170	1,222	37,576	10,469	
Total interest expense	<u>27,224</u>	<u>48,958</u>	<u>262,318</u>	<u>328,161</u>	
Net interest income	4,654	3,928	35,379	25,573	
Noninterest income					
Service fee income, net	1,458	1,790	11,703	11,992	
Other income	53	6	145	100	
Net realized losses	-	(1,630)	(904)	(3,530)	A
Total noninterest income	<u>1,511</u>	<u>166</u>	<u>10,944</u>	<u>8,562</u>	
Noninterest expense					
Salaries and employee benefits	2,695	2,453	18,781	17,266	
Training, travel and communications	666	330	3,353	3,176	
Office operations	374	322	2,501	2,631	
Professional and outside services	551	321	3,110	2,811	
Office occupancy	1,339	283	2,865	1,953	
Other	90	66	922	817	
Total noninterest expense	<u>5,715</u>	<u>3,775</u>	<u>31,532</u>	<u>28,654</u>	
Net income before fair value adjustments	<u>450</u>	<u>319</u>	<u>14,791</u>	<u>5,481</u>	
Fair value adjustments	<u>(1,312)</u>	<u>-</u>	<u>(4,357)</u>	<u>-</u>	B
Net income	<u>\$ (862)</u>	<u>\$ 319</u>	<u>\$ 10,434</u>	<u>\$ 5,481</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
JULY 31, 2008
(in thousands)

Capital Ratios

	July 31,		December 31,	Regulatory Limits or Thresholds
	2008	2007	2007	
Qualifying membership capital shares	\$ 484,277	\$ 486,024	\$ 485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	330,985	310,039	319,962	
Total regulatory capital	<u>\$ 894,702</u>	<u>\$ 875,503</u>	<u>\$ 884,657</u>	
12-month daily average net assets	\$ 12,910,335	\$ 10,543,107	\$ 11,926,799	
Capital ratio	6.93%	8.30%	7.42%	5.00%
Core capital ratio	3.18%	3.69%	3.35%	3.00%
Retained earnings ratio	2.56%	2.94%	2.68%	2.00%

Net Economic Value

July 31, 2008

	Net Economic Value	Dollar Change	Actual Percentage Change	Policy
300 basis point rise in rates	\$ (639,312)	\$ (349,529)	A	(28%)
Base net economic value	(289,783)			
100 basis point decline in rates	(246,569)	43,214	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	\$ (1,023,378)
Asset-backed securities	(36,746)
Commercial mortgage-backed securities	(57,852)
Corporates	(44,121)
Agencies	(1,843)
Derivative instruments	(9,562)
Accumulated other comprehensive loss	<u>\$ (1,173,502)</u>