



Consolidated Financial Statements

Unaudited

May 31, 2008



Contact Information:

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Chief Financial Officer

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June 19, 2008

To our members,

Members United's net income of \$10.0 million through May 31, 2008, compares favorably to the \$4.2 million earned during the first five months of 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.

Assets totaled \$13.5 billion as of May 31, 2008, compared to \$12.0 billion one year earlier. The current market has stressed the value of our investments; however, we continue to receive all scheduled principal and interest payments. Members United currently has seven investments rated BBB-. These bonds are insured and we believe they will continue to perform even though they have been downgraded.

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 value of these investments will recover over time.

Unrealized losses totaled \$885.4 million as of May 31, 2008, compared to \$880.9 million 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). As of the date of this report, Members United does not believe it will suffer principal losses and permanent impairment is not warranted. Continued deterioration in the market fundamentals could change this view in the future.

In addition to the financial statements presented herein, please refer to our web-site for additional information on our financial condition as presented in the *Portfolio Update* and the monthly member webinars.

Respectfully submitted,

Todd M. Adams
Chief Financial Officer

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

	May 31,		December	Notes
	2008	2007	2007	
Assets				
Cash and cash equivalents	\$ 72,193	\$ 187,330	\$ 102,935	
Overnight deposits at U.S. Central	2,188,514	2,472,549	2,164,024	
Investment securities, at fair value	5,796,766	6,031,056	6,718,171	A
Interest earning deposits at U.S. Central	4,361,725	3,025,507	4,195,292	
Loans to members and affiliates	822,664	363,970	671,151	
Participation loans, net	90,249	51,193	55,338	
Fixed assets, net	11,408	12,074	11,544	
Accrued income and other assets	155,742	49,245	129,238	
Total assets	\$ 13,499,261	\$ 12,192,924	\$ 14,047,693	
Liabilities and Members' Equity				
Borrowings and other liabilities				
U.S. Central borrowings	\$ 266,037	\$ 41,195	\$ 1,637,876	
Commercial paper	169,578	96,093	146,076	
Securities sold under agreements to repurchase	575,815	-	949,507	
Other borrowings and liabilities	231,710	296,672	679,233	
Total borrowings and other liabilities	1,243,140	433,960	3,412,692	
Members' Equity				
Shares and certificates	12,246,847	10,895,610	10,113,991	
Membership capital shares	484,694	484,003	485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	330,580	308,799	319,962	
Total regulatory capital	894,714	872,242	884,657	B
Accumulated other comprehensive loss	(885,440)	(8,888)	(363,647)	C
Total members' equity	12,256,121	11,758,964	10,635,001	
Total liabilities and members' equity	\$ 13,499,261	\$ 12,192,924	\$ 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 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 MAY 31, 2008
(in thousands)

	Month Ended		Year-to-Date		Notes
	May 31,		May 31,		
	2008	2007	2008	2007	
Interest income					
Investments	\$ 35,158	\$ 53,565	\$ 216,930	\$ 238,550	
Loans	3,412	1,783	15,497	9,338	
Total interest income	38,570	55,348	232,427	247,888	
Interest expense					
Members' accounts	29,229	49,923	175,073	222,503	
Borrowings	3,512	1,816	31,290	7,676	
Total interest expense	32,741	51,739	206,363	230,179	
Net interest income	5,829	3,609	26,064	17,709	
Noninterest income					
Service fee income, net	1,536	1,700	8,652	8,340	
Other income	32	18	52	79	
Net realized gains (losses)	8	(490)	(905)	(895)	A
Total noninterest income	1,576	1,228	7,799	7,524	
Noninterest expense					
Salaries and employee benefits	2,559	2,564	13,445	12,557	
Training, travel and communications	457	542	2,248	2,409	
Office operations	360	377	1,778	1,926	
Professional and outside services	480	376	2,101	2,068	
Office occupancy	252	263	1,286	1,396	
Other	64	110	751	637	
Total noninterest expense	4,172	4,232	21,609	20,993	
Net income before fair value adjustments	3,233	605	12,254	4,240	
Fair value adjustments	(464)	-	(2,225)	-	B
Net income	\$ 2,769	\$ 605	\$ 10,029	\$ 4,240	

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

MAY 31, 2008

(in thousands)

Capital Ratios

	May 31,		December 31,	Regulatory Limits or Thresholds
	2008	2007	2007	
Qualifying membership capital shares	\$ 484,694	\$ 484,003	\$ 485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	330,580	308,799	319,962	
Total regulatory capital	<u>\$ 894,714</u>	<u>\$ 872,242</u>	<u>\$ 884,657</u>	
12-month daily average net assets	\$ 12,982,049	\$ 10,096,766	\$ 11,926,799	
Capital ratio	6.89%	8.64%	7.42%	5.00%
Core capital ratio	3.16%	3.85%	3.35%	3.00%
Retained earnings ratio	2.55%	3.06%	2.68%	2.00%

Net Economic Value

May 31, 2008

	Net Economic Value	Dollar Change	Actual Percentage Change	Policy
300 basis point rise in rates	\$ (327,933)	\$ (328,877)	A	(28%)
Base net economic value	944			
100 basis point decline in rates	48,010	47,066	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
Asset backed securities	\$ (404,145)
Collateralized mortgage obligations	(447,142)
Corporate debt	(26,412)
Other financial instruments	(7,741)
Accumulated other comprehensive loss	<u>\$ (885,440)</u>