



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.

October 31, 2008



Contact Information:

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Chief Financial Officer

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November 24, 2008

Members United's net income of \$4.3 million for the month ended October 31, 2008, compares favorably to the \$2.7 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.

The current market continues to stress the market value of our investments classified as available-for-sale. Unrealized losses totaled \$1.6 billion as of October 31, 2008, an increase of \$0.3 billion over the prior month. We continue to believe that the unrealized losses represent temporary declines in value, and we intend to hold the securities until they recover in value, which in some cases may mean maturity. The current market values do not represent these instruments' true economic value, as a significant liquidity discount is being built into the pricing of the positions.

Liquidity is a key factor in our ability to hold the investments until they recover in value. Cash and overnight share accounts as of October 31, 2008, totaled \$1.5 billion, unused advised lines of credit totaled \$1.2 billion, and access to the Federal Reserve discount window has been established as a backstop. Our primary source of liquidity continues to represent share and certificate accounts which totaled \$7.9 billion at the end of October, a \$0.4 billion increase from the previous month.

Capital totaled \$863 million as of October 31, 2008, including \$297 million of reserves and undivided earnings. Charges would be recorded against this capital base 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 did not record any permanent impairment charges during the month of October.

Our credit union members have been extremely supportive and continue to provide us with the liquidity and capital to come through these challenging economic times together.

In addition to these financial statements, additional information has been posted on our website such as *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
OCTOBER 31, 2008
(in thousands)

	October 31,		December	Notes
	2008	2007	2007	
Assets				
Cash and cash equivalents	\$ 400,340	\$ 107,463	\$ 102,935	
Overnight deposits at U.S. Central	1,131,313	601,363	2,172,714	
Investment securities, at fair value	4,726,511	6,841,756	6,718,171	A
Interest earning deposits at U.S. Central	1,794,079	3,832,621	4,186,602	
Loans to members and affiliates	874,657	658,146	671,151	
CLF loans	277,416	-	-	B
Participation loans, net	92,283	50,851	55,338	
Fixed assets, net	9,923	11,758	11,544	
Accrued income and other assets	134,995	114,698	129,238	
Total assets	\$ 9,441,517	\$ 12,218,656	\$ 14,047,693	
Liabilities and Members' Equity				
Borrowings and other liabilities				
U.S. Central borrowings	\$ 612,564	\$ 534,633	\$ 1,637,876	
Securities sold under agreements to repurchase	396,704	577,451	949,507	
Federal Home Loan Bank	234,301	5,275	5,111	
Federal funds	15,000	55,500	35,500	
CLF borrowings	277,416	-	-	B
Commercial paper	268,000	283,914	146,076	
Other borrowings and liabilities	421,953	629,390	638,622	
Total borrowings and other liabilities	2,225,938	2,086,163	3,412,692	
Members' equity				
Shares and certificates	7,910,118	9,420,641	10,113,991	
Membership capital shares	486,769	487,074	485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	296,977	317,247	319,962	
Total capital	863,186	883,761	884,657	C
Accumulated other comprehensive loss	(1,557,725)	(171,909)	(363,647)	D
Total members' equity	7,215,579	10,132,493	10,635,001	
Total liabilities and members' equity	\$ 9,441,517	\$ 12,218,656	\$ 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 **D** below.
- B** Recently, legislation was passed that raised the CLF cap from \$1.5 billion to over \$41.0 billion. Credit unions can access the CLF by taking a 90-day loan from the corporate which will match this transaction one-for-one with a borrowing directly from the CLF. This liquidity option will help ensure that our members can continue to meet the loan demands in their respective fields of membership.
- C** The balance sheet has been reformatted to better highlight 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 capital and would be positioned to absorb realized losses in excess of reserves and undivided earnings.
- D** 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 OCTOBER 31, 2008
(in thousands)

	Month Ended October 31,		Year-to-Date October 31,		Notes
	2008	2007	2008	2007	
Interest income					
Investments	\$ 25,415	\$ 50,465	\$ 349,943	\$ 490,550	
Loans	4,160	3,085	35,013	22,685	
Total interest income	29,575	53,550	384,956	513,235	
Interest expense					
Members' accounts	17,178	41,814	282,978	446,389	
Borrowings	5,675	6,998	51,014	27,205	
Total interest expense	22,853	48,812	333,992	473,594	
Net interest income	6,722	4,738	50,964	39,641	
Noninterest income					
Service fee income, net	2,062	1,652	17,692	17,071	
Other income	59	23	316	164	
Total noninterest income	2,121	1,675	18,008	17,235	
Noninterest expense					
Salaries and employee benefits	2,705	2,625	26,521	24,739	
Training, travel and communications	486	475	4,752	4,364	
Office operations	345	416	3,522	3,870	
Professional and outside services	530	312	4,477	3,825	
Office occupancy	239	301	3,705	2,757	
Other	123	98	1,208	1,100	
Total noninterest expense	4,428	4,227	44,185	40,655	
Net income before loss on financial instruments	4,415	2,186	24,787	16,221	
Net loss on financial instruments	(165)	543	(48,360)	(3,532)	A
Net income (loss)	\$ 4,250	\$ 2,729	\$ (23,573)	\$ 12,689	

Notes

- A The income statement has been reformatted 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
OCTOBER 31, 2008
(in thousands)

Capital Ratios

	October 31,		December 31,	Regulatory Limits or Thresholds
	2008	2007	2007	
Qualifying membership capital shares	\$ 486,769	\$ 487,074	\$ 485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	296,977	317,247	319,962	
Total capital	<u>\$ 863,186</u>	<u>\$ 883,761</u>	<u>\$ 884,657</u>	
12-month daily average net assets	\$ 12,282,346	\$ 11,306,214	\$ 11,926,799	
Capital ratio	7.03%	7.82%	7.42%	5.00%
Core capital ratio	3.06%	3.51%	3.35%	3.00%
Retained earnings ratio	2.42%	2.81%	2.68%	2.00%

Net Economic Value

October 31, 2008

	Net Economic Value	Dollar Change	Actual Percentage Change	Policy
300 basis point rise in rates	\$ (1,049,595)	\$ (318,539)	A	(28%)
Base net economic value	(731,056)			
100 basis point decline in rates	(688,939)	42,117	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+	CreditWatch negative
Fitch	Short term	F1	negative watch
	Long term	A+	negative watch
	Individual	B	negative watch

Supplemental Valuation Information

	Balance
Non-agency mortgages	\$ (1,198,464)
Asset-backed securities	(86,877)
Commercial mortgage-backed securities	(160,281)
Corporates	(91,993)
Agencies	(1,816)
Derivative instruments	(18,294)
Accumulated other comprehensive loss	<u>\$ (1,557,725)</u>