



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.

September 30, 2008



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Chief Financial Officer

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Global financial markets are in the midst of a severe market cycle as evidenced by the bankruptcy of Lehman Brothers, conservatorship of Fannie Mae and Freddie Mac, the AIG bailout and the need for the U.S. Government to develop and implement a rescue plan. Members United, with the support of its members, is successfully navigating through this severe market even though investment losses have occurred this month. Members United's capital base is sufficient to absorb these losses.

With this background in mind, Members United recorded a net loss of \$40.3 million for the month of September 2008. This loss will reduce retained earnings from \$333.0 million as of August 31, 2008 to \$292.7 million as of September 30, 2008. Regulatory capital, which consists of retained earnings, membership capital shares and paid-in capital shares, totaled \$856.0 million as of September 30, 2008. While the monthly loss is significant, it also highlights that capital is sufficient to absorb severe market impacts. After incurring the net loss, the regulatory capital ratio stood at 6.8 percent and is well above the 5.0 percent regulatory threshold.

Core earnings of \$2.7 million for the month of September were offset by \$43.0 million of losses on financial instruments. These losses were primarily due to the recording of other than temporary impairment (OTTI) on investments that will most likely realize some level of principal loss before they mature. As a specific example, Members United owns \$45 million of senior unsecured debt issued by Lehman which declared bankruptcy during September. Fitch reacted to this news and lowered Members United's short-term rating from F-1+ to F-1 and long-term rating from AA- to A+. These ratings are still strong relative to other financial institutions and the downgrade did not impact operations.

From a balance sheet perspective, assets totaled \$9.1 billion as of September 30, 2008 compared to \$12.6 billion one year earlier. Loans to credit unions are up 85 percent while shares and certificates are down 26 percent when comparing results as of September 30, 2008 to the prior year. While deposits are down, much of the decline is attributable to opportunities in the market through brokered certificates and other capital market investments such as Treasuries and Agencies.

Members United continues to develop additional funding sources and remains committed to its historic mission as a liquidity provider to its members. After funding loans and after funding share account withdrawals, Members United continues to maintain ample liquidity sources. As of September 30, 2008 cash and overnight share accounts totaled \$723.7 million and the unused portion of the advised line of credit through U.S. Central totaled \$1.37 billion. Three recent events are expected to strengthen Members United's liquidity position and ensure that our members liquidity needs continue to be met:

1. Access to the discount window at the Federal Reserve was established.
2. The NCUA announced it would guarantee unsecured debt obligations such as commercial paper.
3. The CLF cap was raised from \$1.5 billion to \$41.5 billion.

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.

Lastly, please note that we have made revisions to the financial statements in an effort to improve their usefulness. On the balance sheet, CLF loans are reflected as a separate line item and additional detail has been provided for other borrowings. On the income statement, net realized gains (losses) and fair value adjustments have been combined and are now reflected as gains (losses) on financial instruments immediately following core operating results. The notes to the financial statements have been updated and provide additional information. Also, our web-site includes additional useful information such as the Portfolio Update and monthly webinar recordings.

Respectfully submitted,

Todd M. Adams
Chief Financial Officer

MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
CONSOLIDATED BALANCE SHEETS - (REGULATORY CAPITAL FORMAT)
SEPTEMBER 30, 2008
(in thousands)

	September 30,		December	Notes
	2008	2007	2007	
Assets				
Cash and cash equivalents	\$ 104,919	\$ 98,595	\$ 102,935	
Overnight deposits at U.S. Central	618,830	1,357,069	2,172,714	
Investment securities, at fair value	5,057,505	6,757,707	6,718,171	A
Interest earning deposits at U.S. Central	1,950,055	3,604,084	4,186,602	
Loans to members and affiliates	979,310	623,685	671,151	
CLF loans	174,890	-	-	B
Participation loans, net	94,264	49,670	55,338	
Fixed assets, net	9,927	11,870	11,544	
Accrued income and other assets	135,869	116,014	129,238	
Total assets	\$ 9,125,569	\$ 12,618,694	\$ 14,047,693	
Liabilities and Members' Equity				
Borrowings and other liabilities				
U.S. Central borrowings	\$ 582,552	\$ 539,390	\$ 1,637,876	
Securities sold under agreements to repurchase	469,338	373,151	949,507	
Federal Home Loan Bank	234,359	5,357	5,111	
Federal funds	124,000	40,000	35,500	
CLF borrowings	174,890	-	-	B
Commercial paper	-	211,327	146,076	
Other borrowings and liabilities	502,371	620,092	638,622	
Total borrowings and other liabilities	2,087,510	1,789,317	3,412,692	
Members' equity				
Shares and certificates	7,478,012	10,068,856	10,113,991	
Membership capital shares	483,826	485,006	485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	292,728	314,518	319,962	
Total regulatory capital	855,994	878,964	884,657	C
Accumulated other comprehensive loss	(1,295,947)	(118,443)	(363,647)	D
Total members' equity	7,038,059	10,829,377	10,635,001	
Total liabilities and members' equity	\$ 9,125,569	\$ 12,618,694	\$ 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** 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 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.
- 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 SEPTEMBER 30, 2008
(in thousands)

	Month Ended		Year-to-Date		Notes
	September 30,		September 30,		
	2008	2007	2008	2007	
Interest income					
Investments	\$ 23,979	\$ 50,478	\$ 324,529	\$ 440,085	
Loans	4,176	3,014	30,852	19,600	
Total interest income	<u>28,155</u>	<u>53,492</u>	<u>355,381</u>	<u>459,685</u>	
Interest expense					
Members' accounts	19,224	41,887	265,801	404,575	
Borrowings	4,331	6,685	45,338	20,207	
Total interest expense	<u>23,555</u>	<u>48,572</u>	<u>311,139</u>	<u>424,782</u>	
Net interest income	4,600	4,920	44,242	34,903	
Noninterest income					
Service fee income, net	2,203	1,723	15,630	15,419	
Other income	58	41	256	141	
Total noninterest income	<u>2,261</u>	<u>1,764</u>	<u>15,886</u>	<u>15,560</u>	
Noninterest expense					
Salaries and employee benefits	2,589	2,266	23,815	22,114	
Training, travel and communications	413	342	4,266	3,889	
Office operations	339	397	3,176	3,454	
Professional and outside services	496	401	3,947	3,513	
Office occupancy	274	259	3,466	2,456	
Other	63	85	1,087	1,002	
Total noninterest expense	<u>4,174</u>	<u>3,750</u>	<u>39,757</u>	<u>36,428</u>	
Net income before loss on financial instruments	<u>2,687</u>	<u>2,934</u>	<u>20,371</u>	<u>14,035</u>	
Net loss on financial instruments	<u>(42,945)</u>	<u>(125)</u>	<u>(48,194)</u>	<u>(4,075)</u>	A
Net income (loss)	<u>\$ (40,258)</u>	<u>\$ 2,809</u>	<u>\$ (27,823)</u>	<u>\$ 9,960</u>	

Notes

- A** The income statement has been reformatted this month to show net losses on financial instruments as a line below core operating earnings. During September, this line includes other than temporary impairment charges of \$37.9 million. \$0.6 million for declines in value of the Shay Fund investment which is classified as trading, and \$4.4 million of unfavorable fair value adjustments due to ineffectiveness associated with hedging relationships. It should be noted that September 2008 was an unusually volatile market and that management does not expect this level of fair market value adjustments to frequently recur in the future.

MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
KEY FINANCIAL INFORMATION
SEPTEMBER 30, 2008
(in thousands)

Capital Ratios

	September 30,		December 31,	Regulatory Limits or Thresholds
	2008	2007	2007	
Qualifying membership capital shares	\$ 483,826	\$ 485,006	\$ 485,255	
Paid-in capital shares	79,440	79,440	79,440	
Statutory reserves and undivided earnings	292,728	314,518	319,962	
Total regulatory capital	<u>\$ 855,994</u>	<u>\$ 878,964</u>	<u>\$ 884,657</u>	
12-month daily average net assets	\$ 12,532,647	\$ 11,028,369	\$ 11,926,799	
Capital ratio	6.83%	7.97%	7.42%	5.00%
Core capital ratio	2.97%	3.57%	3.35%	3.00%
Retained earnings ratio	2.34%	2.85%	2.68%	2.00%

Net Economic Value
September 30, 2008

	Net Economic Value	Dollar Change	Actual Percentage Change	Policy
300 basis point rise in rates	\$ (757,663)	\$ (329,822)	A	(28%)
Base net economic value	(427,841)			
100 basis point decline in rates	(386,970)	40,871	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 B
	Long term	A+	negative watch B
	Individual	B	negative watch B

B On October 16, 2008 Fitch lowered Members United's ratings one notch from F1+ to F1, AA- to A+ and A/B to A.

Supplemental Valuation Information

	Balance
Non-agency mortgages	\$ (1,050,045)
Asset-backed securities	(51,335)
Commercial mortgage-backed securities	(92,291)
Corporates	(82,365)
Agencies	(1,190)
Other	522
Derivative instruments	(19,243)
Accumulated other comprehensive loss	<u>\$ (1,295,947)</u>