

Portfolio Update and Financial Reports

Including an Update on Progress against the Expense Reduction Plan and Details Regarding Senior Management Travel

As of 02/28/10 (unaudited)

The credit and liquidity crisis that began in July 2007 continues to strain global financial markets. Members United is committed to providing our member-owners information about these market events and the quality of our assets. We strive to provide objective, transparent information regarding our safety and soundness.

Economic Overview

The stock market has been bolstered by a string of good news during February and early March. Sovereign debt worries have calmed as Greece has announced austerity measures in order to tackle its deficit problem and successfully issued 10 year debt. The US employment figures were better than expected, despite heavy winter storms in several regions. Retail sales surprised to the upside, and the FOMC reiterated its stance to hold rates low for an "extended period" of time. This allowed the S&P to gain almost 6% over the past 30 days and to make a new high for the year.

Just a few short weeks ago, the news of an imminent Greece bond default dominated the headlines. Greece's deficit to GDP ratio, at 12.7%, stood at unsustainably high levels with no relief in sight. There were worries that Greece would be unable to roll over its upcoming maturities. Over the past few weeks, Greece has announced measures to reign in its deficit via tax hikes and spending cuts. This has calmed fears and allowed Greece to roll over €5 billion in 10 year debt at reasonable levels compared to where the credit default swaps were trading just a few sessions earlier. The reduction in perceived sovereign risk created a reversal of the flight-to-quality trade into US Treasuries, helping to increase US interest rates.

The employment report surprised to the upside, with the unemployment rate holding steady at 9.7% and payroll figures inching closer to positive territory. Given the severe winter, and that over 1 million workers reported being unable to work because of the weather, it was somewhat impressive to see no increase in the unemployment rate. In addition, the payroll number was higher than expected despite the impact of the Census workers being minimal. As the weather impact (hopefully) fades and the Census impact hits, many economists are predicting a 250,000+ payroll gain for March. That would represent the largest monthly payroll gain in 4 years. Even though the headline growth rate may be strong, the focus should be on the private sector job growth. This is because the positive impact of the Census workers is only temporary and sustainable payroll growth is what is important to drive the economy. The economy will need to see 200,000+ in private monthly job growth to make any permanent dent in the unemployment rate.

Despite the poor weather, retail sales were also higher than expected in February. The wealth effect from increasing stock markets and stabilizing home prices may be buoying consumption. If that trend were to continue, GDP growth may be on a higher trajectory than consensus expectations. We believe that consumption will decline from its current elevated levels and thus, GDP growth will be below its long term trend of around 3% once the impact of the fiscal stimulus fades. We mainly base this conclusion on our expectation for further housing price declines (due to the negative supply/demand conditions) and an increase in personal savings rates to slightly above historic norms.

Lastly, the FOMC decided to keep its statement regarding keeping rates low for an "extended period" of time. This surprised some economists as they had speculated that the recent string of favorable economic news warranted a removal of that statement. We believe that the statement will not be changed for at least the next several meetings. The Fed is still concerned about a double dip recession and given the current political climate, the Fed knows that there will be little chance of fiscal stimulus to help if that were to occur. Given the lack of future support from fiscal policy, combined with the low level of inflation and high level of unemployment, there is little reason to risk raising rates prematurely.

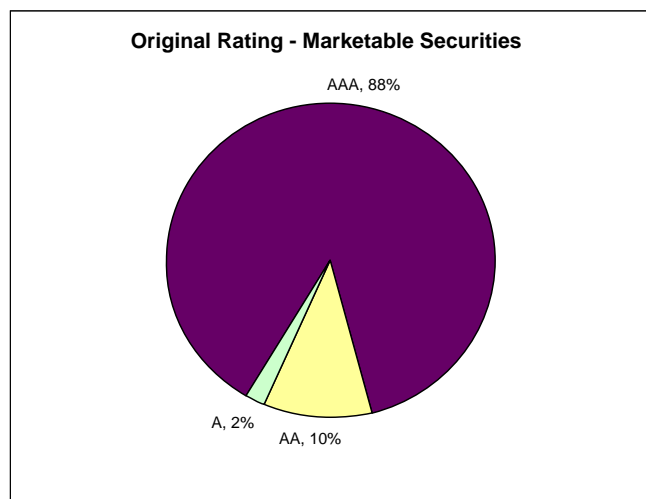
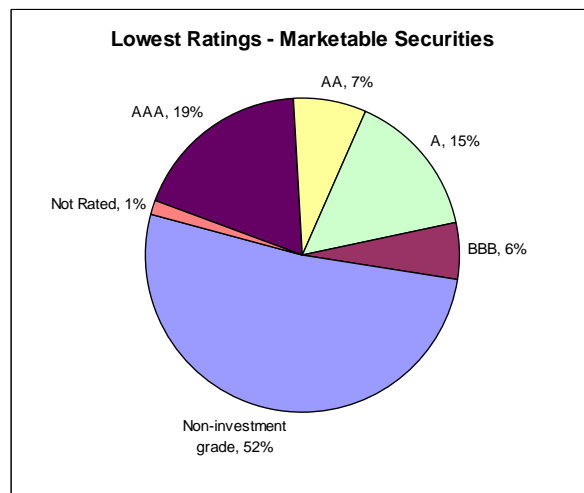
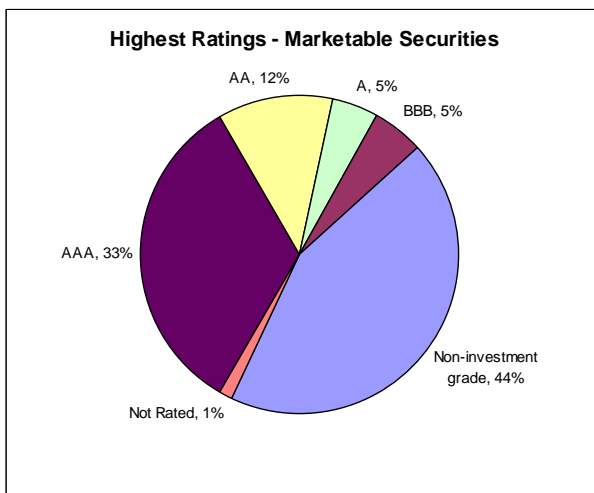
Members United Outlook

Interest rates are slightly higher than last month as the flight-to-quality trade faded and economic releases were generally positive. The futures market is now pricing in the first rate hike in October/November, and cumulative rate hikes of 30 basis points for 2010. We continue our stance that the Fed stays on hold for 2010. Bernanke is a student of the Great Depression and Japan and has written several papers on both. History has shown that raising rates prematurely prolonged those crises. The FOMC will require consistent payroll growth and a sizeable decline in the unemployment rate before indicating a desire to raise rates.

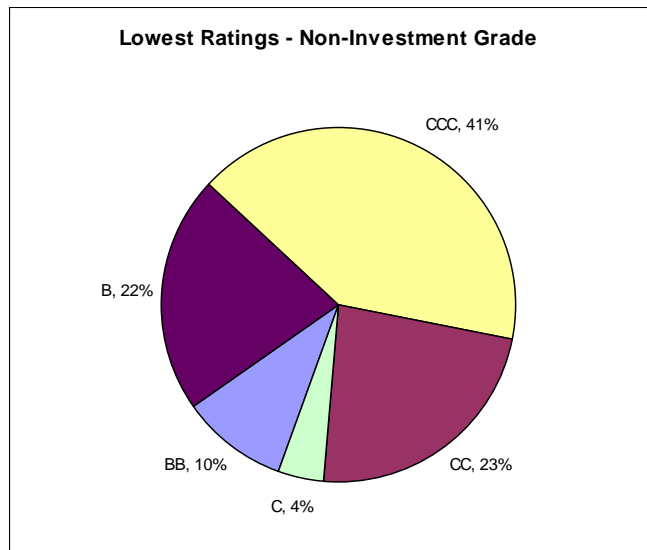
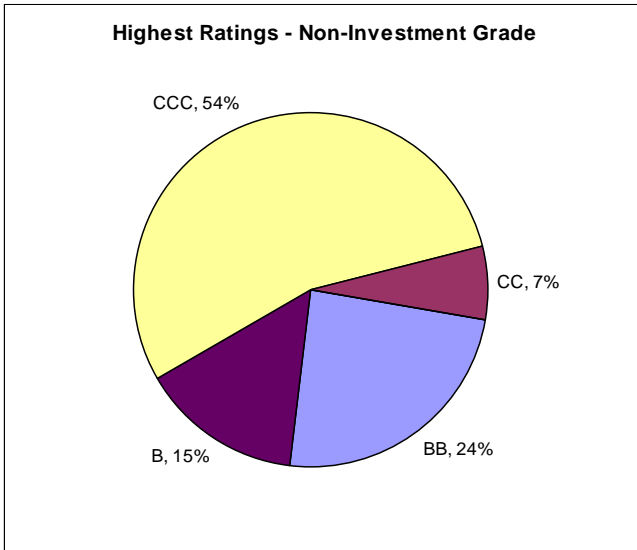
Portfolio Overview

Credit risk is the risk that the par value of an investment will not be returned (fractionally or as a whole). Members United manages credit risk through continual monitoring and rigorous modeling of its investment securities. Members United has the regulatory authority to hold investment securities with a rating of BBB or higher. If an investment held by the corporate falls below BBB, an investment action plan must be prepared and filed with the NCUA, demonstrating the anticipated performance of the security and any potential loss exposure to future cash flows (periodic interest and principal payments). The ability to continue to hold investments below BBB are subject to the approval of the NCUA.

Members United presents three charts below. The first chart provides a ratings breakdown of Members United's current marketable securities holdings using the highest current rating available. The second chart provides the same breakdown using the lowest current rating available. The third chart shows a breakdown using the original rating assigned to the security. These charts summarize the portfolio ratings as of February 28, 2010 (total par value of approximately \$5.1 billion):

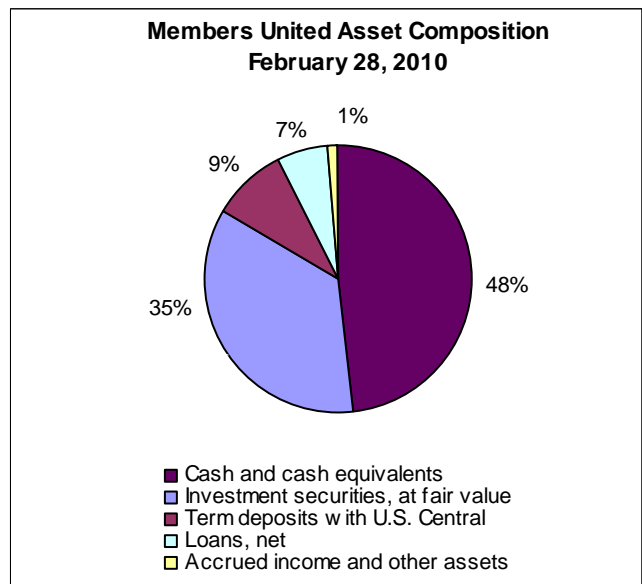
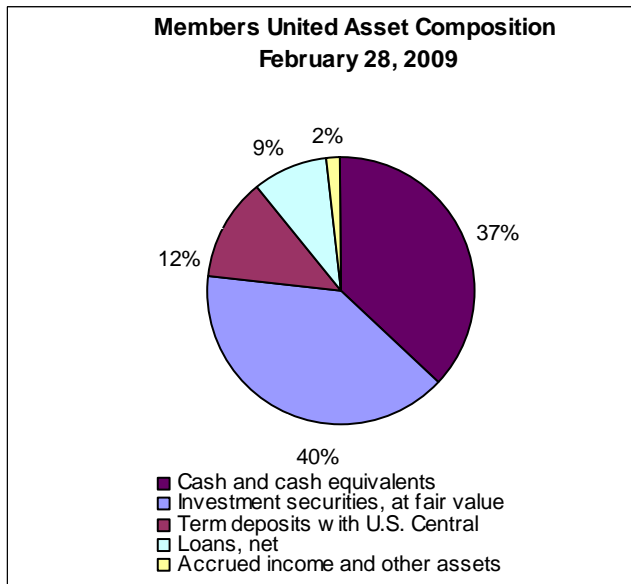


The following charts provide additional ratings information for the non-investment grade portion of the portfolio as of February 28, 2010 (total par value of approximately \$2.2 billion for the highest-rating scenario and \$2.5 billion for the lowest-rating scenario):



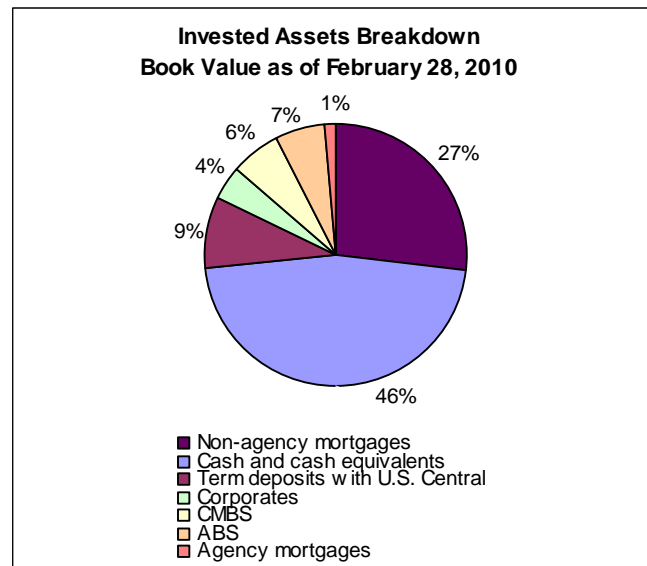
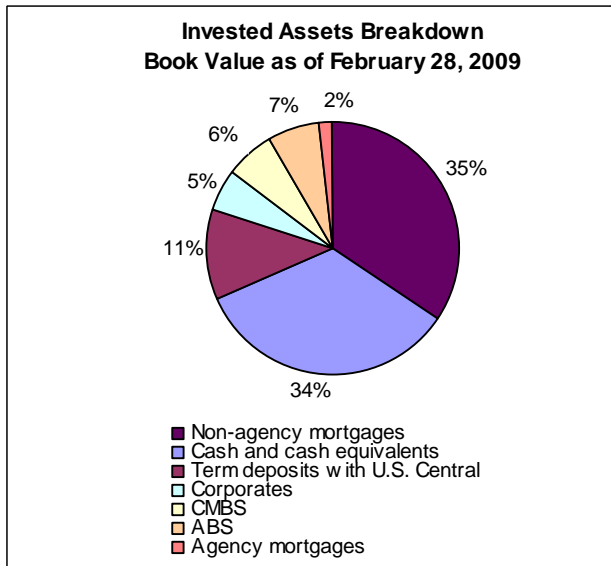
Asset Composition

As of February 28, 2010, the total fair value of assets was \$10.1 billion. Cash and cash equivalents and overnight deposits at U.S. Central totaled \$4.8 billion, fair value of marketable securities represented \$3.6 billion, loans to members totaled \$0.7 billion, term deposits at U.S. Central totaled approximately \$0.9 billion and accrued income and other assets totaled \$0.1 billion.



Invested Assets

Asset allocations based on book value within Members United's invested asset portfolio are shown on the following page. Cash and cash equivalents have increased substantially over the last year to 46% of total investments, while term deposits with U.S. Central have been reduced to only 9% of total investment assets.



Total Investment Portfolio

The table below summarizes Members United's total available-for-sale (AFS) securities by category, as of February 28, 2010:

(All dollar amounts are reflected in thousands)

	Par Value	Book Value	Unrealized Loss*	Fair Value
Non-agency mortgages				
Prime	\$ 833,279	\$ 753,675	\$ (229,773)	\$ 523,902
Sub-prime	852,326	779,176	(239,085)	540,091
Alt-A	1,515,897	1,280,087	(487,314)	792,773
Asset-backed securities (secured by non-mortgage assets)	636,334	636,580	(35,155)	601,425
Commercial mortgage-backed securities	637,975	647,237	(128,871)	518,366
Corporates	474,040	451,285	(18,843)	432,442
Agencies (mortgage and SBA pass-throughs)	133,938	133,937	(736)	133,201
Mutual fund and other	37,985	29,705	-	29,705
Total investment securities	\$ 5,121,774	\$ 4,711,682	\$ (1,139,777)	\$ 3,571,905

*Excludes net unrealized loss on derivative instruments of \$29,975.

Mortgage-Related Securities

While the pace of decline in home values appears to have declined, a record number of homes remain in some stage of foreclosure and have yet to be sold or liquidated. As a result, home values are at risk of seeing further declines, and residential mortgage-related investments could experience further deterioration in performance. The following table provides more information on Members United's non-agency mortgage-related holdings as of February 28, 2010:

(All dollar amounts are reflected in thousands.)

Mortgage Portfolio Category	Par Value	Book Value	Percent of Non-Agency, Mortgage-Related Securities (Par Value)	Percent of Total Invested Assets*
Total non-agency mortgage exposure	\$ 3,201,502	\$ 2,812,938	100%	27%
Prime	833,279	753,675	26%	7%
Sub-prime (FICOs < 680)	852,326	779,176	27%	7%
Alt-A	1,515,897	1,280,087	47%	13%

*Invested Assets = Book value of AFS securities + deposits at U.S. Central + cash and cash equivalents

Monoline Insurance Companies

One common method of providing credit enhancement for structured finance investments is the use of an insurance “wrap” from a monoline insurer, which guarantees the timely payment of interest and principal. Most monoline insurers continue to experience significant losses from guarantees they made on credit default swaps (CDS) and collateralized debt obligations (CDO) backed by residential mortgage securities. (Members United does not own any CDOs or hold any CDS contracts.) These losses continue to negatively affect monoline insurer capital ratios, leading to downgrades of their insurance financial strength ratings.

Residential mortgage-backed securities wrapped by FGIC, Syncora Guarantee (SGI) and CIFG have been subjected to other-than-temporary impairment (OTTI). Effective November 24, 2009, FGIC ceased paying claims on its insured obligations per an order issued by the New York Insurance Department. SGI ceased paying claims effective April 2009. Also of note, during 2009 Ambac reported significantly greater than expected losses on its residential mortgage insured exposures, eliminating a significant portion of its regulatory capital cushion. Ambac, MBIA and FSA (now Assured Guaranty Municipal or AGM) continue to pay all claims in full as they become due per current contractual terms.

The following table highlights Members United’s monoline insurance exposure. We note again that holding amounts are reported on a book value basis and are net of any recorded OTTI:

(All dollar amounts are reflected in thousands.)

Monoline	February 28, 2010 Total Holdings Wrapped	February 28, 2010 Unrealized Loss	February 28, 2010 Total Holdings Wrapped (% of Invested Assets*)
Ambac	\$ 315,259	\$ (111,721)	3.01%
MBIA	326,548	(113,270)	3.12%
FGIC	98,646	(29,614)	0.94%
AGM (f.n.a. FSA)	72,290	(22,208)	0.69%
SGI (f.n.a. XLCA)	14,503	(5,971)	0.14%
CIFG	4,327	(1,491)	0.04%
Total	\$ 831,573	\$ (284,275)	7.94%

*Invested Assets = Book value of AFS securities + deposits at U.S. Central + cash and cash equivalents

Interest Rate Risk

Members United is exposed to some amount of interest rate risk, as changes in interest rates can affect net interest income and the value of our balance sheet. One common measure used to capture interest rate risk is net economic value (NEV), which measures the net change in the value of our assets, liabilities and off-balance sheet items, given a change in interest rates. Members United adheres to NCUA’s Rules and Regulations Part 704 and analyzes NEV monthly using instantaneous and parallel interest rate shocks of up to 300 basis points – a very aggressive assumption designed to produce a “stress test” of the balance sheet. In addition, Members United also periodically evaluates the impact to NEV through changes to yield curve point values, prepayment rates, volatility, credit spreads and basis risk. The resulting market value data information and deviation to “base case” results is reviewed with Management and ALCO.

The chart below demonstrates NEV test results for February 2010. Base-case NEV figures reflect the impact of unrealized losses, which we continue to believe are largely temporary. The most severe scenario of a 300 basis point, instantaneous rise in interest rates reflects a decline in NEV of approximately \$127.6 million – or 12.42%.

(All dollar amounts are reflected in thousands.)

Net Economic Value February 28, 2010			
	Net Economic Value	Dollar Change	Percentage Change
Base case net economic value	(1,026,954)	-	-
300 basis point rise in rates	(1,154,508)	(127,554)	(12.42%)

Valuations reflected in the base NEV calculation continue to be constrained due to market illiquidity and the failure of current market prices to capture true economic value, if the securities are held to maturity. Members United continues to monitor this dislocation in valuations through regular comparisons of internal option adjusted (OAS) spread-derived prices with prices received from third-party pricing services. Differentials between these two pricing approaches remain quite wide, as most asset-backed security (ABS) sectors remain thinly traded and quotes from market makers and third-party pricing sources continue to reflect deep discounts and a sizeable liquidity premium. We note that as market liquidity improves, this dislocation in market pricing gradually corrects itself. This has led to a reduction in unrealized losses reported in base NEV measures, but there certainly remains opportunity for further improvement.

In addition to NEV computations, Members United executes monthly net interest income (NII) forecasts under instantaneously shocked and ramped-rate scenarios. These are typically 12-month, forward-looking forecasts that are calibrated to the same sector volumes utilized in NEV modeling. Repricing characteristics are reviewed monthly and are adapted to current market conditions, as applicable, to ensure that the most robust assumptions are applied in the forecast simulations. The following table illustrates Members United's projected NII over the next 12 months. As is appropriate with NEV modeling, Members United captures the embedded options (prepayment speeds, "call" provisions, etc.) associated with all on- and off-balance sheet instruments.

(All dollar amounts are reflected in thousands.)

Net Interest Income Projection			
February 28, 2010 (12-month projection)			
	Net Interest Income	Dollar Change	Percentage Change
Base case net interest income	33,339	-	-
300 basis point rise in rates	53,697	20,358	61.06%

Liquidity Risk

Liquidity risk addresses the ability to create liquidity to fund cash flow requirements, both expected and unexpected, which usually result from share withdrawals and member loan requests. Liquidity risk is mitigated by the amount of currently available liquidity. This can be in the form of cash that can be immediately utilized or in readily available sources of liquidity such as borrowings. The following table outlines our sources of liquidity as of February 28, 2010:

(All dollars are reflected in thousands)

Current Liquidity			
Cash and short term deposits	\$ 751,878		
Source of Liquidity	Gross	Used	Net
FHLB Chicago line of credit	\$ 160,000	\$ 100,000	\$ 60,000
US Central - advised line	908,192	61,941	846,251
Available-for-sale securities - sales	1,475,856	-	1,475,856
Available-for-sale securities - borrowings	582,772	-	582,772
Fed funds	883,000	-	883,000
Subtotal	4,009,820	161,941	3,847,879
Total	\$ 4,761,698	\$ 161,941	\$ 4,599,757
Total member loans		\$ 671,500	
Balances at the FRB		\$ 4,102,583	

Liquidity remains strong following seasonal first quarter trends. Tax refunds and relative strength in credit unions savings and weakness in loan demand combine to keep overall network liquidity at very high levels. This and our deliberate strategy of warehousing liquidity have grown our total cash equivalents to almost \$5 billion (\$4.1 billion at FRB and \$751 million in cash accounts). Seasonal patterns suggest liquidity should start to drain from the system in May, but fundamental structural issues mentioned above and the overall depressed level of interest rates, may keep network liquidity at elevated levels through much of the summer.

Derivative Positions

Members United uses interest rate swaps to manage interest rate risk and has never used derivatives to hedge credit risk associated with a specific investment. For example, if Members United made a five-year, fixed-rate loan to a credit union, Members United would enter into an interest rate swap to convert the fixed rate to a variable rate. There can be a nominal amount of credit risk if the counterparty should fail to perform under the terms of the contract. Members United manages credit risk by using comprehensive credit-approval processes, selecting only creditworthy counterparties and using effective collateral administration. In addition, Members United requires legally enforceable netting arrangements, which permit netting of transactions with the same counterparty.

The amount of credit exposure is limited to the interest receivable and the fair market value of the derivative contracts in gain positions, reduced by the value of any collateral pledged by the counterparty. As of February 28, 2010, there was no credit exposure with our derivative counterparties.

Financial Plan Update

Members United continues to follow a financial plan that is designed with one goal in mind – to minimize the ultimate losses to our member credit unions by holding securities until they mature. While principal losses are expected, the losses would be greater if the securities were sold in the current market. In summary, Members United continues to:

- Participate in the Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP)
- Continue suspension of mortgage investment purchases
- Hold securities until they recover in value
- Use cash inflows to pay down debt and store cash
- Reduce operating expenses to preserve capital

Members United remains focused on following this plan and is achieving the desired results. Cash balances totaled \$4.8 billion, external borrowings have been reduced and significant operating expense savings continue to be realized.

Financial Results for February 28, 2010 (excluding OTTI)

Full financial results are not available for February 28, 2010 as Members United is in the process of performing its investment OTTI review to determine the level of additional losses to record as of December 31, 2009. Ideally, this information will be audited by the independent accountants to ensure their concurrence. Due to the complexity of the issue and the importance of being as precise as possible, we are targeting April 30, 2010 to release the full financial results. In lieu of providing full financial results, the following financial highlights are provided;

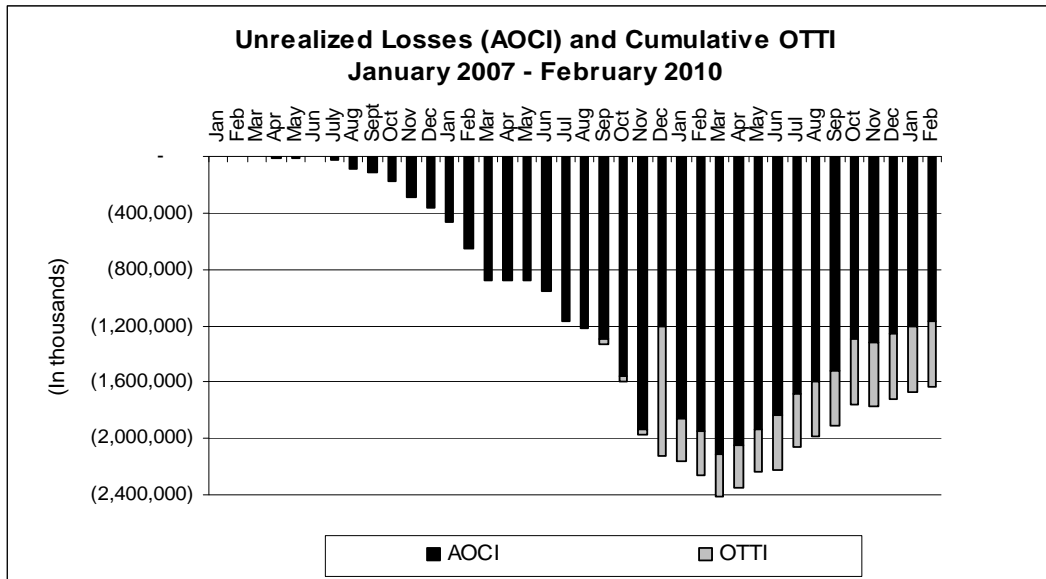
- Core net income on a year-to-date basis, excluding the OTTI loss estimates, totaled \$2.3 million and compared favorably to \$2.1 million in the prior year.
- On a year-to-date basis, operating expenses were \$1.6 million less than the prior year.
- Liquidity is adequate as cash and cash equivalents totaled \$4.8 billion.
- Capital totaled \$150.4 million prior to any OTTI charges that may result from the aforementioned review that is underway.

Members United expects to record additional OTTI losses once McGladrey & Pullen completes their review of the estimate to be recorded as of December 31, 2009. These losses are expected to result in a retained deficit and Members United will be required to deplete membership capital shares in accordance with NCUA Rules and Regulations Part 704.2 and as further clarified in the NCUA letter to credit unions No. 09-CU-10 "Matters Related to 'Paid-in Capital' and 'Membership Capital' of Corporate Credit Unions". At this time, Members United believes that existing capital in the amount of \$150.4 million will be sufficient to absorb losses that will arise from the OTTI review.

Valuation Trends

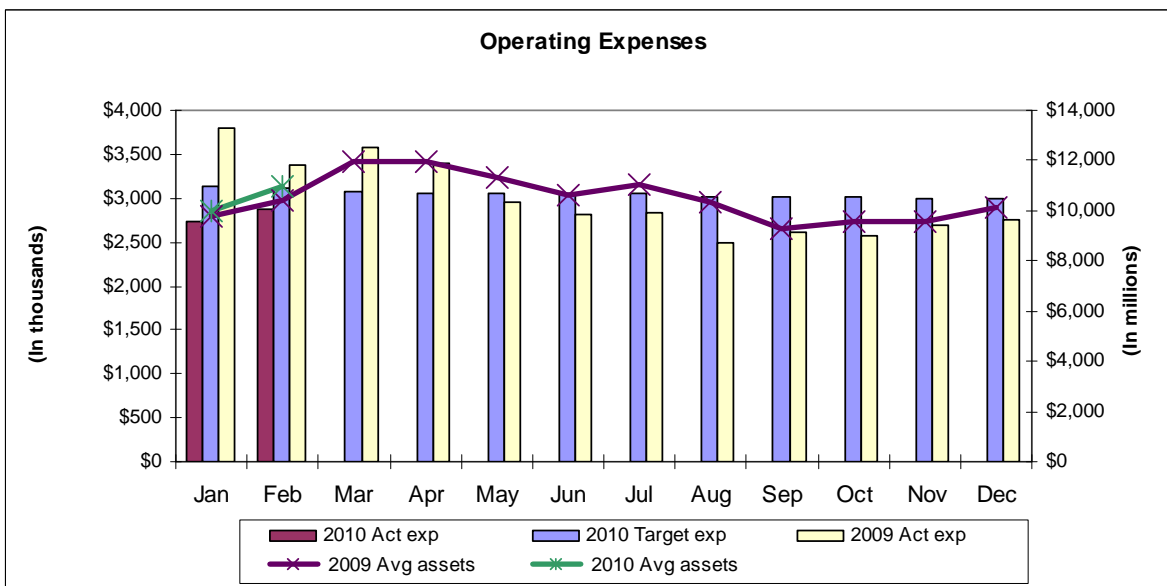
Please note that the following chart aggregates the current unrealized loss (AOCI) and all OTTI that has been recorded since September 2008. Aggregating this data improves comparability of this trend since OTTI essentially represents a reclass from the balance sheet (AOCI) to the income statement (OTTI), when losses

are deemed other-than-temporary. In summary, these aggregated balances represented a loss of \$1.6 billion as of February 28, 2010 compared to \$2.4 billion as of March 31, 2009.



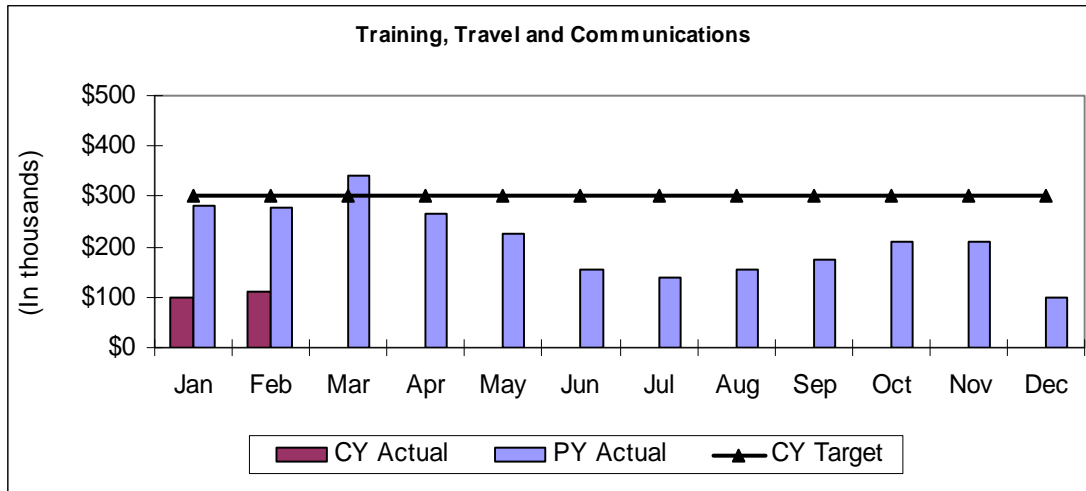
Total Operating Expenses - Plan Update

Members United continues to realize significant cost savings relative to prior years. On a year-to-date basis, expenses are \$1.6 million less than the same period in 2009 and actuals are favorable compared to the budgeted levels.



Travel, Training and Communication Expense – Update

Travel, training and communications expense is approximately 10% of the total annual operating expense budget and represents a primary focus of the cost savings initiatives in 2010. These expenses totaled \$111,000 for the month of February 2010. The following table presents results against plan.



From 1/25/10 through 2/23/10 (the applicable expense reporting period), the executive leadership team expense reports totaled \$4,710 for travel-related expenses. This included costs associated with twelve trips. Nine of these trips occurred during the applicable expense reporting period, two are for future travel and one is for travel that occurred during the previous reporting period. At February 28, 2010, the executive leadership team includes Joe Herbst, Todd Adams, Kevin Brauer, John Collins and Ron Koza. The following table provides more detailed information regarding leadership team travel:

Leadership Team Travel and Expenses					
February 28, 2010					
Date	Name	Costs	From/To	Purpose	
2/17-2/18	Brauer	\$ 392	Albany to Indianapolis	Indiana for Corporate Reg update	
2/8-2/9	Collins	134	Travel in Illinois	Meet with credit union CEOs in Illinois	
1/21-1/23	Collins	268	Chicago to Dallas	Meeting with USC and NCUA town hall meeting	
2/22-2/24	Herbst	(25)	Albany to Washington D.C.	Governmental Affairs Conference	
2/8-2/9	Herbst	1,217	Albany/Chicago/Albany	Meet with credit union CEOs in Illinois	
1/25-1/26	Herbst	383	Chicago to Albany	Town hall meetings in Illinois	
1/26-1/27	Herbst	541	Chicago to Indianapolis	Town hall meeting in Indiana	
2/1-2/2	Herbst	34	Chicago/Sioux Falls/Minneapolis	Town hall meeting in Minnesota	
2/25-2/26	Herbst	114	Chicago/Alexandria, VA/Albany	NCUA meeting	
2/2-2/4	Herbst	593	Minneapolis/Orlando/Albany	NCUA town hall meeting	
2/1-2/2	Herbst	664	Chicago/Sioux Falls/Minneapolis	Town hall meeting in South Dakota	
2/25-2/26	Koza	395	Chicago to Alexandria, VA	NCUA meeting	
Total travel related expenses		<u>\$ 4,710</u>			

Summary

Members United appreciates your continued support and patience as we navigate through these turbulent financial markets. We remain committed to contributing to the long-term financial success of our members and will continue to work towards minimizing any losses incurred.

Contact Information

For questions related to any information contained in this update, please contact any of the following individuals:

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