Members United
CORPORATE FEDERAL CREDIT UNION

Portfolio Update and Financial Reports

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

As of 03/31/10 (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 continued its ascent over the past thirty days through mid-April. The S&P 500 has increased by over 5% during that time frame and has now increased by greater than 8% so far in 2010. The stock market has experienced a remarkable reversal since the lows hit back in March, 2009. It is now up over 75% since hitting those lows (although the market is still down by over 20% since the 10/9/07 high). The main drivers have been the stabilization of the financial industry, increased corporate profitability and improved economic data. Government spending has filled the gap left by reduced consumer spending. Given the increasing government deficit, that trend can't continue indefinitely and will eventually need to be reversed for the United States to find long term stability. The big question is whether the other determinants of GDP can pick up the slack.

As a quick refresher, the main components of GDP are:

1. Consumption (C)
2. Government Spending (G)
3. Investment (I)
4. Exports (E)
5. Imports (X)

The equation to determine GDP is:

$$GDP = C + G + I + E - X$$

Consumption has traditionally been the biggest component of GDP, ranging from 66%-76% of GDP over the past 50 years. This is the component of GDP where we have the biggest concern. We are concerned for three main reasons. First, the decline in the housing and equity markets has caused household wealth to shrink by almost 20% since 2007. Even though household wealth and consumption aren't perfectly correlated, the reduction in wealth should have a negative impact on spending. Second, credit availability and consumer credit appetite have declined. Credit card companies have drastically reduced their offerings and new restrictions will likely cause more declines in available credit. In addition, consumer credit demand will continue to fall to more reasonable levels over the next several years. Consumer debt to disposal income rose from a long-term average of 80% a few decades ago to almost 130% in 2007. Spending more than you earn is never a sustainable strategy and consumer spending should continue at a more moderate pace in coming years, as the memory of job losses and a weak economy should be fresh in people's minds. Third, income growth should remain restrained for several years. The large supply of unemployed and discouraged workers will reduce the need for employers to have to pay a premium for new employees or to retain current ones.

Some economists believe that exports are the component that will be the key driver to GDP going forward. While the weak dollar has certainly provided a boost to US exporters, we don't believe that there will be enough of an improvement in exports to completely offset declines in consumer spending. In order to see a long-term and sustained improvement in exports, we would need to see rising consumption patterns in many of the countries that import our goods and services. Many of our trade partners are also recovering from recessions and aren't likely to see huge boosts in spending.

On the other side of the trading equation, we also don't see much reduction in the amount of imports. There has been plenty of recent news about the Chinese currency being undervalued and naming China a currency manipulator. The hope is that if China's currency appreciates, the US will import less from China and buy more from US companies, thus contributing to US GDP. We are skeptical that an increasing Yuan will automatically lead to more US growth, as it is more likely that the US will start importing more from other countries should that increase occur.

With recent strong corporate profits business investment could see some mild improvement in the coming years. However consumer investment should remain relatively subdued mainly due to current and continued weakness in the housing markets. As we've mentioned several times before, we are concerned about the huge shadow inventory of foreclosed houses. It is hard to justify making an investment in the housing market given the current supply/demand conditions.

Our conclusion from looking at all the GDP components is that GDP is likely to grow below trend (below 3%) after the fiscal stimulus fades in the second half of 2010. This will lead to an elevated unemployment rate for several years to come. This will also likely mean that the Fed stays on hold for much longer than currently priced into the market.

We would be remiss not to discuss the recent passing of Healthcare Reform and its potential impact to the economy. In short, there should be little impact to the near-term economy as many aspects of the plan are phased in over time. The biggest shock will occur in 2013, when Medicare taxes are set to increase. Therefore, we have not adjusted any of our forecasts at this time due to the passage of this new legislation.

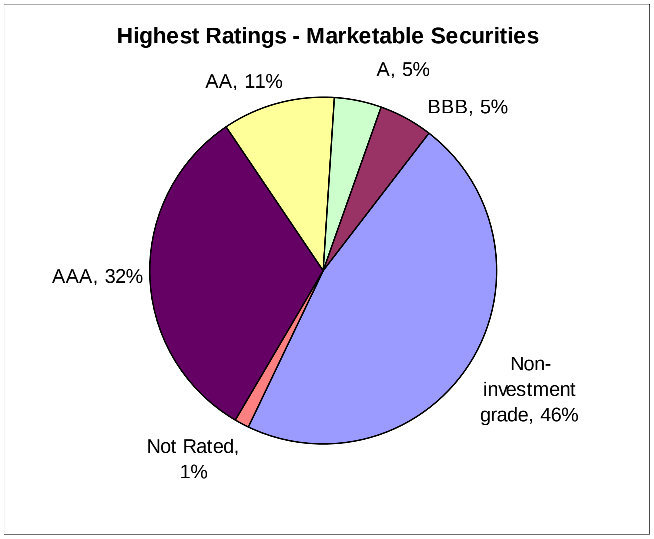
Members United Outlook

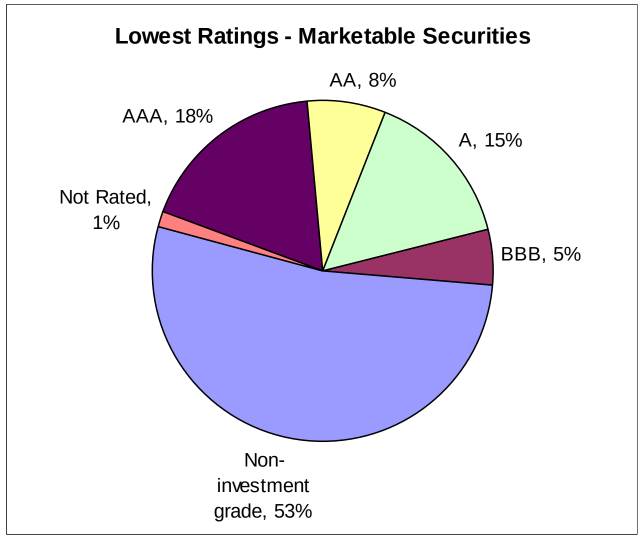
Interest rates are slightly lower than last month as US sovereign risk decoupled from the general sovereign risk increase created by the situation in Greece. The futures market is still pricing in the first rate hike in October/November and cumulative rate hikes of almost 30 basis points for 2010. We continue our stance that the Fed stays on hold for 2010. Despite a string of upbeat economic reports, we still believe that the economy is on a shaky footing once the benefit of the fiscal stimulus fades. The increase in the number of census workers in the coming months will make the headline payroll growth look robust, but *private* payroll growth is the key. It doesn't look like a double dip recession is in the cards, but the economy will remain fragile for the foreseeable future.

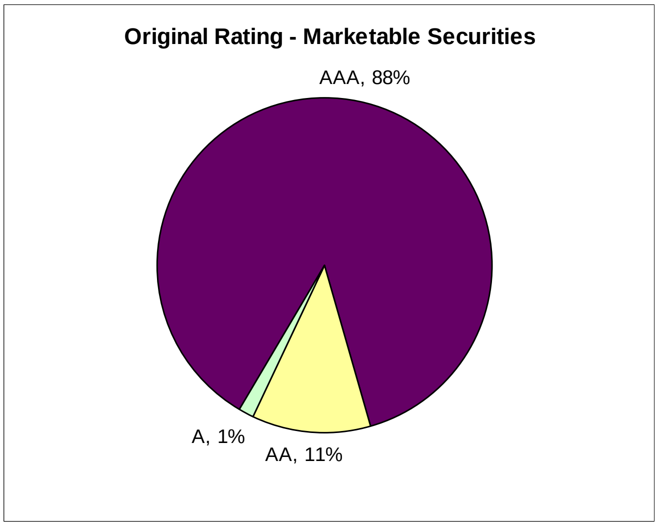
Portfolio Overview

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.

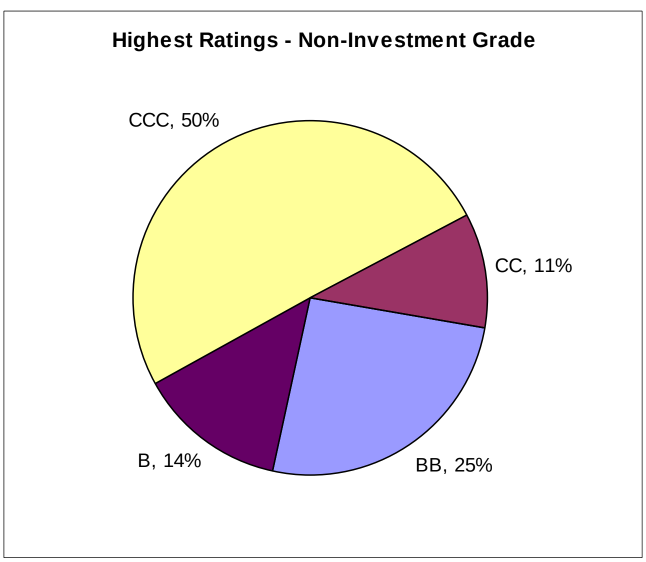
Members United presents three charts below. The first chart provides a ratings breakdown of Members United's current marketable securities holdings using the highest current rating available. The second chart provides the same breakdown using the lowest current rating available. The third chart shows a breakdown using the original rating assigned to the security. These charts summarize the portfolio ratings as of March 31, 2010 (total par value of approximately $4.9 billion):

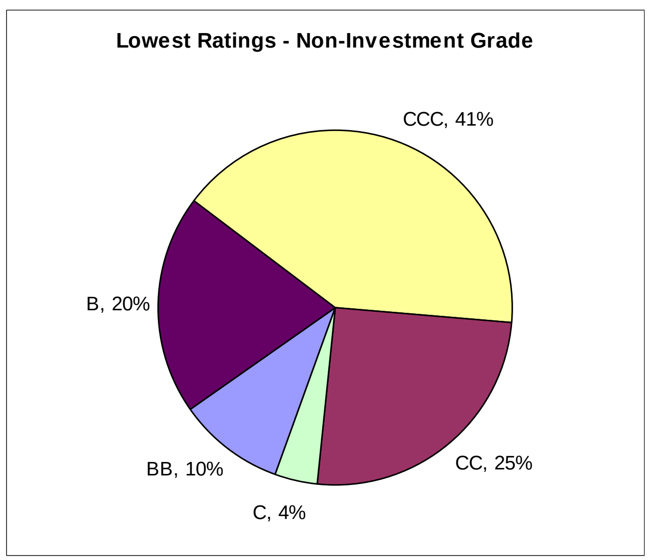






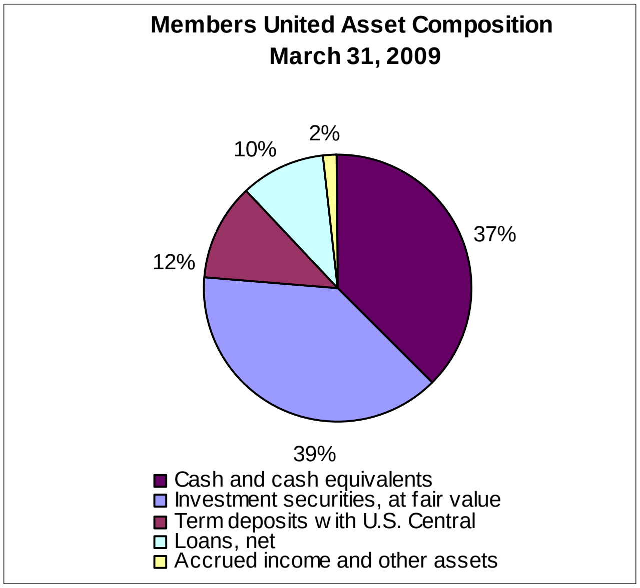
The following charts provide additional ratings information for the non-investment grade portion of the portfolio as of March 31, 2010 (total par value of approximately $2.3 billion for the highest-rating scenario and $2.4 billion for the lowest-rating scenario):

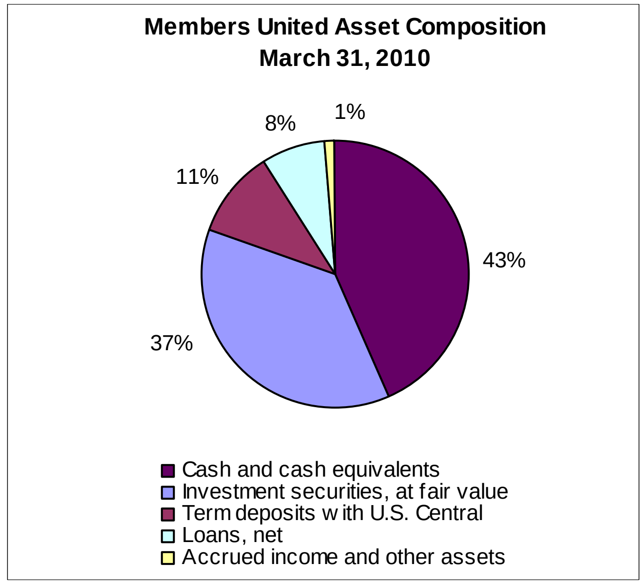




Asset Composition

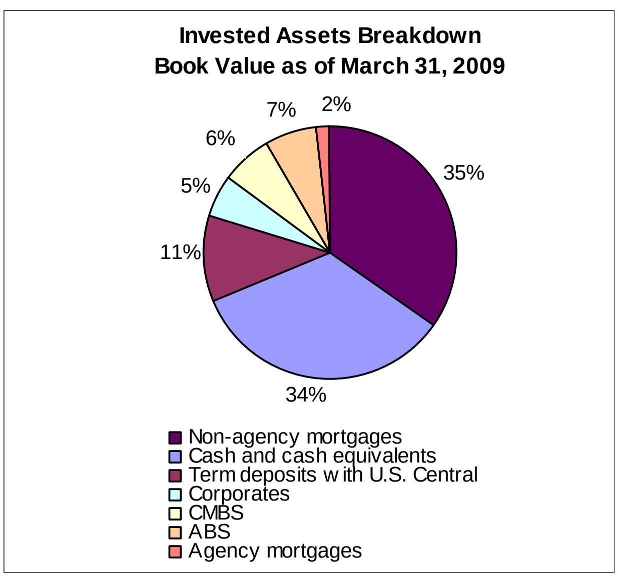
As of March 31, 2010, the total fair value of assets was $9.3 billion. Cash and cash equivalents and overnight deposits at U.S. Central totaled $4 billion, fair value of marketable securities represented $3.5 billion, loans to members totaled $0.7 billion, term deposits at U.S. Central totaled approximately $1 billion and accrued income and other assets totaled $0.1 billion.

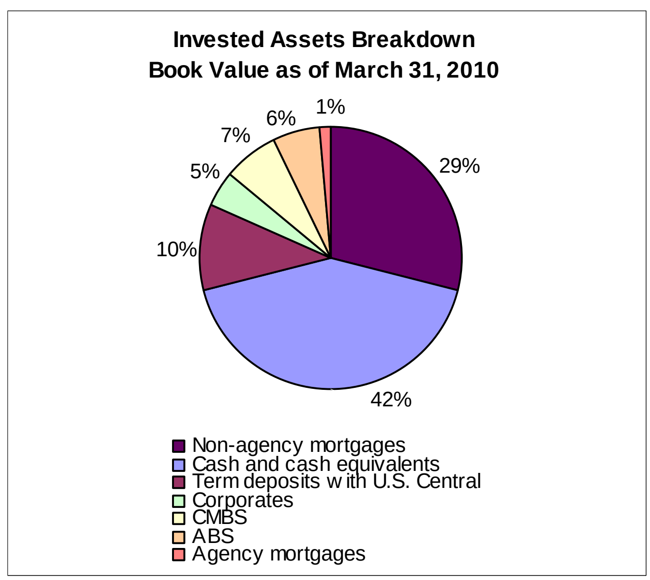




Invested Assets

Asset allocations based on book value within Members United's invested asset portfolio are shown below. Cash and cash equivalents have increased substantially over the last year to 42% of total investments, while term deposits with U.S. Central have been reduced to only 10% of total investment assets.





Total Investment Portfolio

The table below summarizes Members United's total available-for-sale (AFS) securities by category, as of March 31, 2010:

(All dollar amounts are reflected in thousands)

	Par Value	Book Value	Unrealized Loss*	Fair Value
Non-agency mortgages				
Prime	$ 819,356	$ 740,058	$ (221,735)	$ 518,323
Sub-prime	846,380	773,226	(233,861)	539,365
Alt-A	1,497,778	1,265,075	(478,749)	786,326
Asset-backed securities (secured by non-mortgage assets)	550,712	550,946	(38,240)	512,706
Commercial mortgage-backed securities	636,598	645,756	(121,843)	523,913
Corporates	465,285	442,527	(18,569)	423,958
Agencies (mortgage and SBA pass-throughs)	130,040	130,041	(1,006)	129,035
Mutual fund and other	38,042	30,010	-	30,010
Total investment securities	$ 4,984,191	$ 4,577,639	$ (1,114,003)	$ 3,463,636
*Excludes net unrealized loss on derivative instruments of $27,638.				

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 March 31, 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	$ 3,163,514	$ 2,778,359	100%	29%
Prime	819,356	740,058	26%	8%
Sub-prime (FICOs < 680)	846,380	773,226	27%	8%
Alt-A	1,497,778	1,265,075	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 per a similar order effective April 2009. In addition, Ambac ceased paying claims effective March 25, 2010, per an order by the Wisconsin Office of the Commissioner of Insurance. 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	March 31, 2010 Total Holdings Wrapped	March 31, 2010 Unrealized Loss	March 31, 2010 Total Holdings Wrapped (% of Invested Assets*)
Ambac	$ 300,404	$ (110,633)	3.12%
MBIA	320,345	(109,854)	3.33%
FGIC	97,227	(30,159)	1.01%
AGM (f.n.a. FSA)	71,072	(16,705)	0.74%
SGI (f.n.a. XLCA)	14,289	(5,426)	0.15%
CIFG	4,099	(1,313)	0.04%
Total	$ 807,436	$ (274,090)	8.39%

*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 March 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 $127.0 million – or 12.73%.

(All dollar amounts are reflected in thousands.)

Net Economic Value March 31, 2010			
	Net Economic Value	**Dollar Change**	**Percentage Change**
Base case net economic value	(998,305)	-	-
300 basis point rise in rates	(1,125,348)	(127,044)	(12.73%)

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 March 31, 2010 (12-month projection)			
	Net Interest Income	**Dollar Change**	**Percentage Change**
Base case net interest income	36.542	-	-
300 basis point rise in rates	53,597	17,055	46.67%

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 March 31, 2010:

(All dollars are reflected in thousands)

Current Liquidity			
Cash and short term deposits	**$ 724,201**		
Source of Liquidity	**Gross**	**Used**	**Net**
FHLB Chicago line of credit	$ 145,000	$ 100,000	$ 45,000
US Central - advised line	1,010,603	61,321	949,282
Available-for-sale securities - sales	1,454,590	-	1,454,590
Available-for-sale securities - borrowings	582,772	-	582,772
Fed funds	883,000	-	883,000
Subtotal	**4,075,965**	**161,321**	**3,914,644**
Total	**$ 4,800,166**	**$ 161,321**	**$ 4,638,845**
Total member loans		**$ 735,820**	
Balances at the FRB		**$ 3,319,166**	

Credit union liquidity remains elevated in March. As such our liquidity positions also remain very strong. Cash holdings totaled $4 billion as of the end of March. This is in contrast to last year when March 2009 cash balances were only about $3.5 billion. While some of this increase has been due to Members United's deliberate strategies of stockpiling cash, the majority of the increase is likely due to core liquidity at credit unions increasing. As we have said in previous updates, this is primarily from lower loan demand and a flight to safety from natural persons resulting in stronger deposit trends. We anticipate liquidity will peak in April due to two key changes. First, federal income tax payments for individuals are due in mid-April and history shows a fairly large decline in deposit levels and liquidity associated with this event. Second, the continuing strength in equity markets will likely weaken credit union deposit trends as more investors try to "jump on the train" of rising equity values. We still see strong liquidity throughout the remainder of the year as credit union loan demand should remain anemic as the majority of consumers are more focused on re-building their financial positions (higher savings/less spending) than taking out loans.

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 March 31, 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 billion, external borrowings have been reduced and significant operating expense savings continue to be realized.

Financial Results for March 31, 2010 (excluding OTTI)

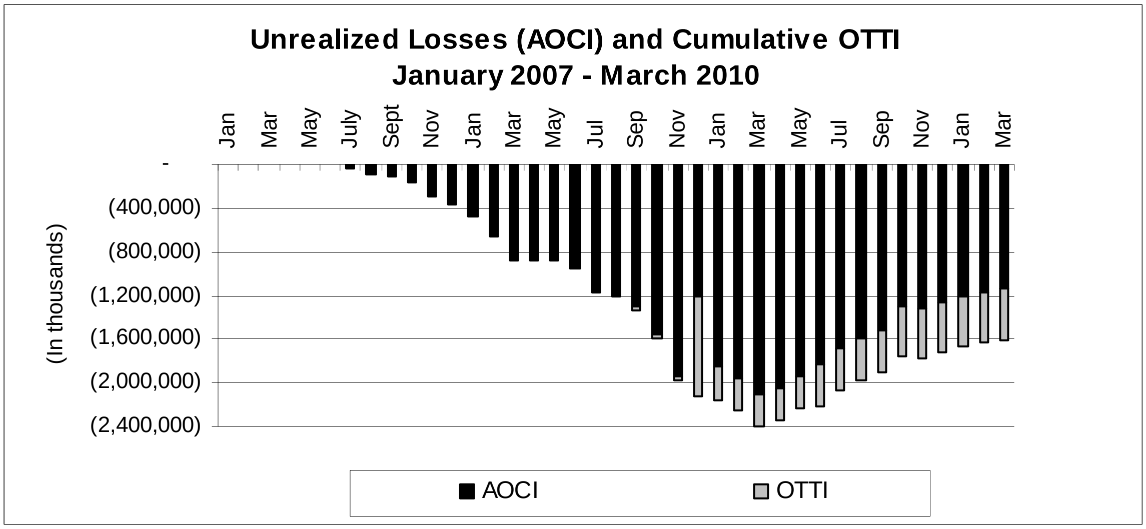
Full financial results are not available for March 31, 2010 as Members United is in the process of performing its investment OTTI review to determine the level of additional losses to record as of December 31, 2009. Ideally, this information will be audited by the independent accountants to ensure their concurrence. Due to the complexity of the issue and the importance of being as precise as possible, we were originally targeting April 30, 2010 to release the full financial results. On March 25, 2010, Ambac, a monoline insurer, announced an organizational restructuring. This announcement is requiring Members United to revisit its OTTI estimates on the bonds insured by Ambac and will delay the release of the audited financial statements by 30 days. We are now targeting the end of May 2010 to release the audited statements. 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 $3.0 million compared to $2.9 million for the same period in 2009.
- Operating expenses on a year-to-date basis were $2.2 million less than the prior year.
- Liquidity is adequate as cash and cash equivalents totaled $4 billion.
- Capital totaled $151 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, including the final determination concerning Ambac support. 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 $151 million will be sufficient to absorb losses that will arise from the OTTI review.

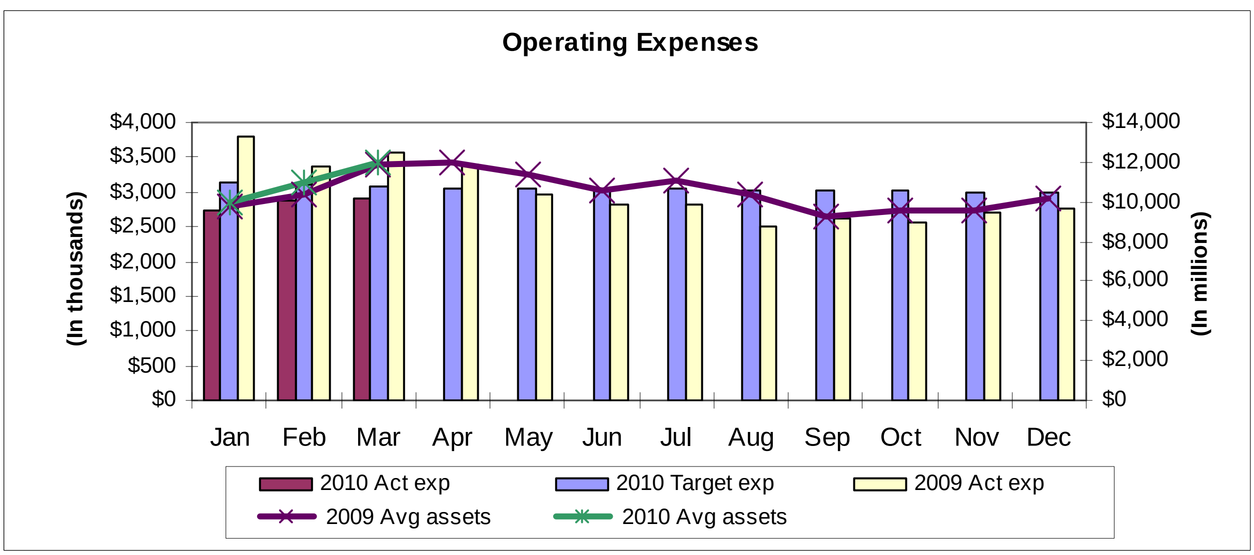
Valuation Trends

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 March 31, 2010 compared to $2.4 billion as of March 31, 2009.



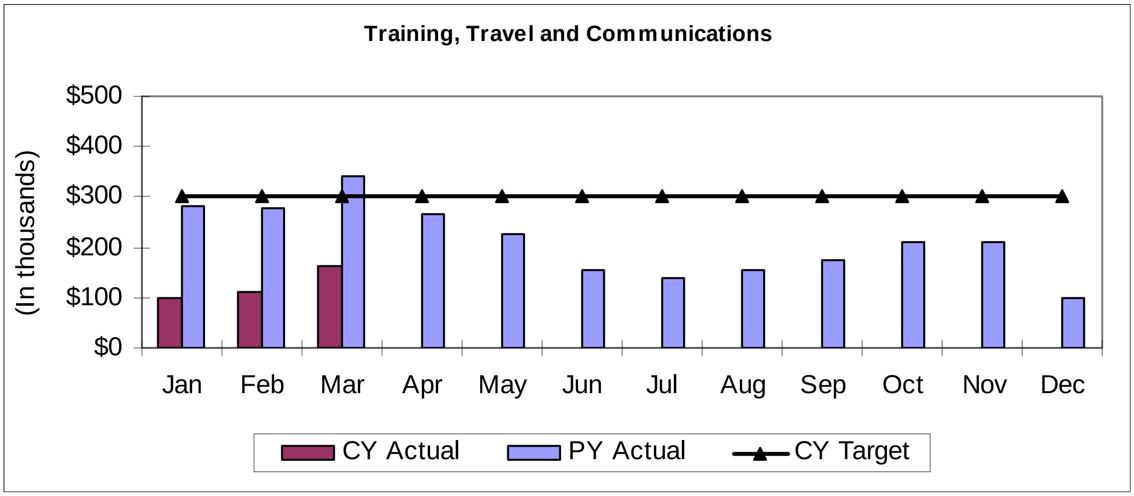
Total Operating Expenses - Plan Update

Members United continues to realize significant cost savings relative to prior years. On a year-to-date basis, expenses are $2.2 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 $161,000 for the month of March 2010. The following table presents results against plan.



From 2/24/10 through 3/25/10 (the applicable expense reporting period), the executive leadership team expense reports totaled $3,139 for travel-related expenses. This included costs associated with eight trips. Three of these trips occurred during the applicable expense reporting period, three are for future travel and two are 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
March 31, 2010

Date	Name	Costs	From/To	Purpose
2/22-2/25	Joe Herbst	$ 1,014	Albany/Washington D.C.	Governmental Affairs Conference
2/25-2/26	Joe Herbst	294	Chicago/Alexandria, VA/Albany	NCUA meeting
3/25-4/5	Joe Herbst	290	Chicago/Albany/Chicago	Senior management and Board meetings
2/25-2/26	Ron Koza	413	Chicago/Alexandria, VA	NCUA meeting
2/22-2/24	Kevin Brauer	358	Albany/Washington D.C.	Governmental Affairs Conference
3/22-3/24	Kevin Brauer	322	Albany/Chicago	Leaderhip team meetings in the Warrenville office
4/6-4/7	Kevin Brauer	183	Albany/Chicago	Board meetings in the Warrenville office
4/26-4/27	Kevin Brauer	265	Albany/Chicago	Leaderhip team meetings in the Warrenville office
Total travel related expenses		$ 3,139		

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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