

Portfolio Update and Financial Reports

Including an Update on Progress against the Expense Reduction Plan

As of 06/30/10 (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 and transparent financial information.

Economic Overview (as of July 15, 2010)

Fears of a double-dip recession in the US have gripped the market as economic indicators have generally come in below estimates for the past two months. Weaker housing and employment data, combined with lingering sovereign debt concerns caused the S&P to hit a new low for 2010 on 7/2/10. The BP oil spill and uncertainty surrounding financial regulation added to the malaise. All of this led to the worst quarter for equities since the financial crisis hit (the S&P was down 12% in the 2nd quarter). The big question is whether the economy is experiencing a typical pause, after recovering from a recession, before taking another step forward or are we headed back towards the abyss. We feel that the most likely scenario is that a double-dip recession is averted, but economic growth will remain below the long-term average of 3.0%-3.5% for the next several quarters.

Housing has historically been one of the keys to recoveries and recent news on this front has not been very encouraging. Housing demand, absent government support, remains very weak. Declining population growth rates, household wealth, employment, and credit availability all indicate weaker than normal housing demand. The extent of the impact of government support on demand became very clear as both existing and new home purchases fell dramatically the month after the \$8,000 housing credit expired. New home sales fell to an all-time low and existing home sales came in well below expectations. Given the massive amount of impending supply due to foreclosed and delinquent properties, it is hard to see a sustained recovery in housing until some time well into the future.

The employment picture also appears murky. After a few months of strong growth in private payrolls, the last two reports have been weaker than expected. Don't be fooled by the drop in the unemployment rate from 9.7% to 9.5%. The drop was solely due to the decrease in labor force participation as more workers became discouraged in their ability to find new jobs. A healthy job market would have unemployment falling and labor force participation increasing. This would lead to personal income growth, which could fuel consumption. We continue to believe that the unemployment rate will remain elevated due to the large supply of workers that will re-enter the market on signs of recovery and anemic hiring due to the uncertainty surrounding the economic recovery.

The recent slide in economic indicators has brought talks of another round of economic stimulus. There has been much debate over increasing government spending to help spur the economy versus reducing spending in order to achieve some sense of fiscal discipline. The argument over using government spending to avert/reduce a recession centers on three main factors:

1. **Inefficiency of government spending versus private spending** – Governments aren't bound by profit maximization and political decisions often allocate resources to lower or negative return projects.
2. **The multiplier effect** – An increase in government spending puts money directly in to the economy. In addition, it can stimulate spending by consumers. The math works as follows (ignoring tax effects):

$$\text{Impact to current GDP} = \frac{\text{Increase in Government Spending}}{(1 - \text{Marginal Propensity to Consume (MPC)})}$$

If government spending = \$20 billion, and MPC = .5;
The impact on GDP=\$40 billion. The multiplier effect is 2 in this example.

Economists have broad disagreements to what the multiplier effect is. The President's chief economist, Christina Romer believes it is around 1.6 while others argue that it is below 1.

3. **Impact to future productivity** – the government can improve the infrastructure of the economy that otherwise would not have been provided by the private sector (roads, bridges, etc). This can lead to greater future productivity.

Basically, if you believe that the government is inefficient (which is hard to argue against), the multiplier effect is small and the impact to future productivity is negligible, then government spending will be of little help and can be harmful to the long-term economy as higher taxes will likely be needed in the future to offset the increase in debt. We believe that when resources are slack (as they currently are) and spending goes towards efficient and productive projects, increased government spending is a useful tool to mitigate the immediate impacts of a recession. As the unemployment rate stays elevated, it is likely that we will see additional government spending programs to help boost the economy despite heavy objections from the Tea Party activists.

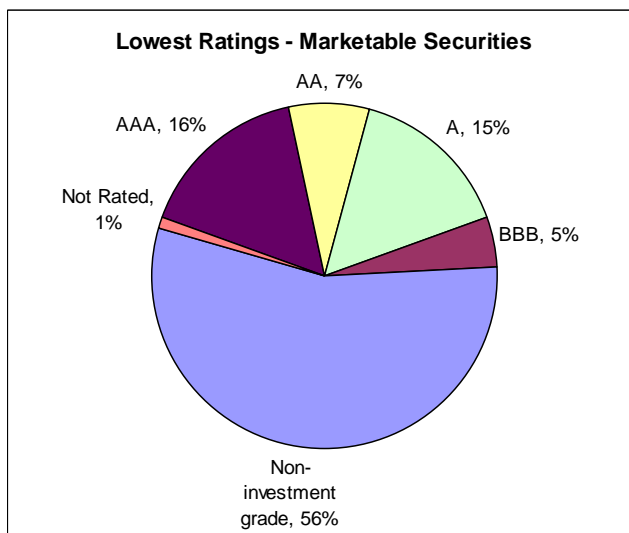
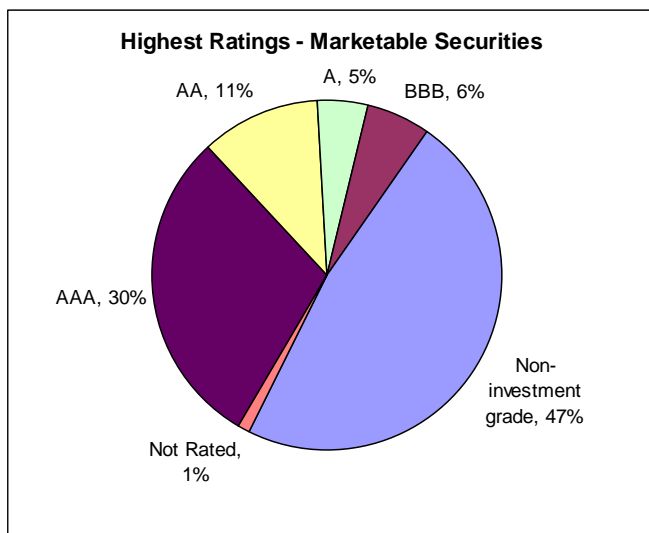
Members United Outlook

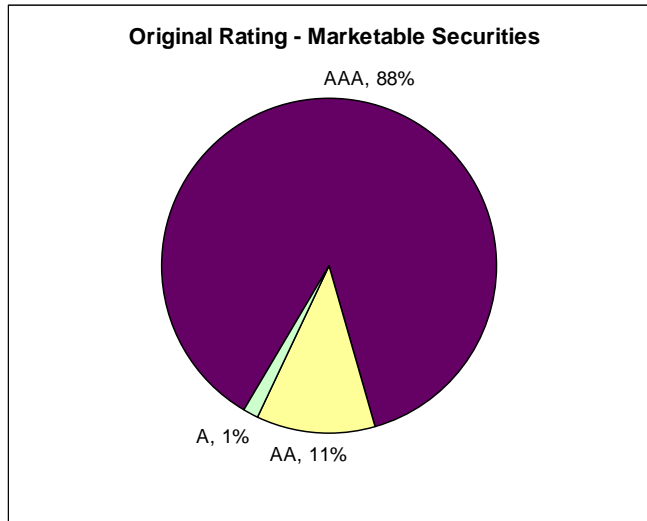
Interest rates declined since last month as the concern of a double-dip recession created a flight to quality into US Treasuries. Long-term rates shifted down about 30 basis points and the 10 year Treasury stands below 3%. 30 year mortgage rates are now at 4.60%, the lowest level in years. The futures market is now pricing in the first rate hike in June/July of 2011. We continue our stance that the Fed stays on hold for 2010 and into 2011. Despite the low mortgage rates, the housing market will remain weak and unemployment will remain stubbornly high. Based on the latest Fed minutes, the Fed is more concerned about having to provide additional stimulus rather than taking the current stimulus away.

Portfolio Overview

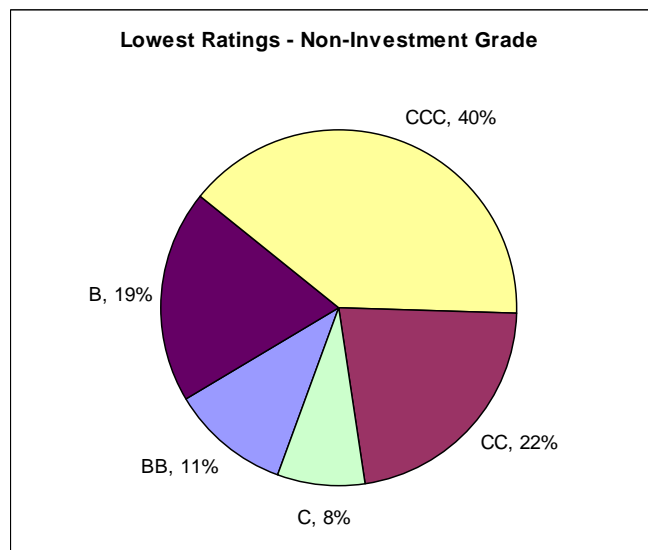
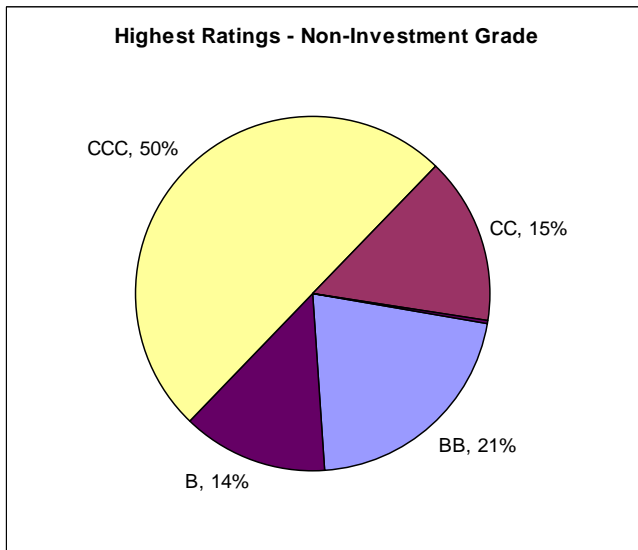
Credit risk is the risk that the par value of an investment will not be returned (fractionally or as a whole). Members United manages credit risk through continual monitoring and rigorous modeling of its investment securities. Members United has the regulatory authority to hold investment securities 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 June 30, 2010 (total par value of approximately \$4.8 billion):





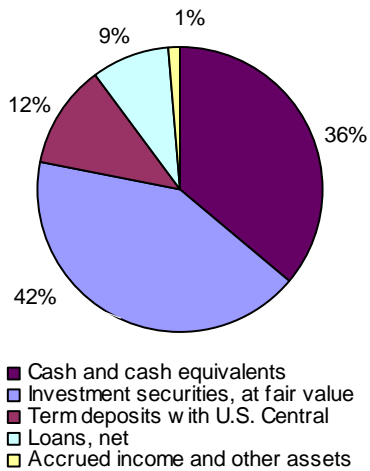
The following charts provide additional ratings information for the non-investment grade portion of the portfolio as of June 30, 2010 (total par value of approximately \$2.2 billion for the highest-rating scenario and \$2.4 billion for the lowest-rating scenario):



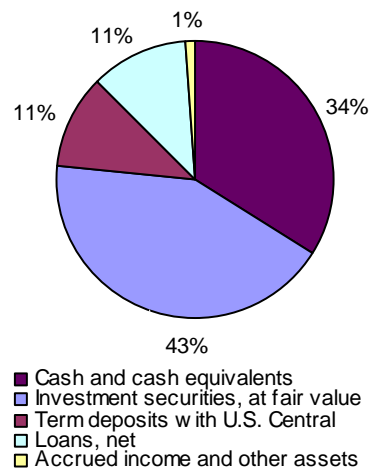
Asset Composition

As of June 30, 2010, the total fair value of assets was \$8.0 billion. Cash and cash equivalents and overnight deposits at U.S. Central totaled \$2.9 billion, fair value of marketable securities represented \$3.4 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.

**Members United Asset Composition
June 30, 2010**



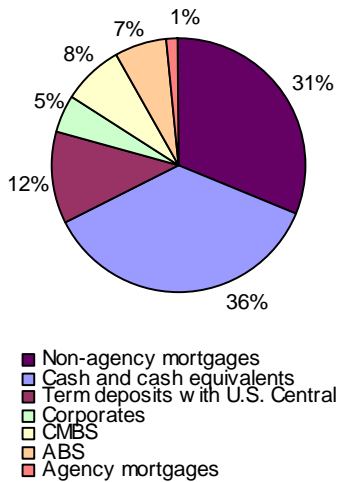
**Members United Asset Composition
June 30, 2009**



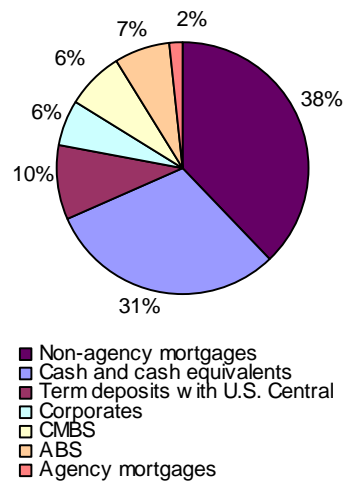
Invested Assets

Asset allocations based on book value within Members United's invested asset portfolio are shown below. Cash and cash equivalents have increased over the prior year to 36% of total investments

**Invested Assets Breakdown
Book Value as of June 30, 2010**



**Invested Assets Breakdown
Book Value as of June 30, 2009**



Total Investment Portfolio

The table below summarizes Members United's total available-for-sale (AFS) securities by category, as of June 30, 2010:

(All dollar amounts are reflected in thousands)

	Par Value	Book Value	Unrealized Loss*	Fair Value
Non-agency mortgages				
Prime	\$ 777,548	\$ 680,316	\$ (170,999)	\$ 509,317
Sub-prime	827,424	739,176	(206,049)	533,127
Alt-A	1,442,286	1,140,096	(373,845)	766,251
Asset-backed securities (secured by non-mortgage assets)	534,276	534,492	(28,716)	505,776
Commercial mortgage-backed securities	631,921	640,764	(93,605)	547,159
Corporates	451,794	411,721	(2,575)	409,146
Agencies (mortgage and SBA pass-throughs)	117,599	117,605	(1)	117,604
Mutual fund and other	39,007	32,108	-	32,108
Total investment securities	\$ 4,821,855	\$ 4,296,278	\$ (875,790)	\$ 3,420,488
*Excludes net unrealized loss on derivative instruments of \$41,480.				

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 June 30, 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	\$ 3,047,258	\$ 2,559,588	100%	31%
Prime	777,548	680,316	26%	8%
Sub-prime (FICO's < 680)	827,424	739,176	27%	9%
Alt-A	1,442,286	1,140,096	47%	14%

*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 Ambac, FGIC, Syncora Guarantee (SGI) and CIFG have been subjected to other-than-temporary impairment (OTTI). With the exception of CIFG, each of these monoline insurers has temporarily ceased paying claims on their insured obligations per regulatory order. MBIA and FSA (now Assured Guaranty Municipal or AGM) remain unimpaired at this time and continue to pay all claims in full as they become due per current contractual terms. See page 8 for additional information concerning Members United's exposure to monoline insurers.

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 June 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 \$131.8 million – or 14.85%.

(All dollar amounts are reflected in thousands.)

Net Economic Value June 30, 2010			
	Net Economic Value	Dollar Change	Percentage Change
Base case net economic value	(887,510)	-	-
300 basis point rise in rates	(1,019,306)	(131,795)	(14.85%)

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.

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 June 30, 2010 (12-month projection)			
	Net Interest Income	Dollar Change	Percentage Change
Base case net interest income	37,065	-	-
300 basis point rise in rates	58,712	21,646	58.40%

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 June 30, 2010:

(All dollars are reflected in thousands)

Current Liquidity			
Cash and short term deposits	\$ 809,586		
Source of Liquidity	Gross	Used	Net
FHLB Chicago line of credit	\$ 130,000	\$ 100,000	\$ 30,000
US Central - advised line	949,933	59,928	890,005
Available-for-sale securities - sales	1,420,082	-	1,420,082
Available-for-sale securities - borrowings	582,772	-	582,772
Fed funds	883,000	-	883,000
Subtotal	3,965,787	159,928	3,805,859
Total	\$ 4,775,373	\$ 159,928	\$ 4,615,445
Total member loans		\$ 724,288	
Balances at the FRB		\$ 2,129,540	

Month end cash balances remain strong as of month end with over \$2.9 billion available. Member liquidity also seems to be strong as loan demand at the natural person level remains weak as consumers focus on rebuilding their balance sheets as opposed to increasing spending and discretionary borrowing. Current liquidity trends generally are following seasonal patterns with credit union liquidity moderating from around April 15 through the summer months and plateauing sometime in September or October. Our current loan with FHLB comes due in August and will likely be paid down given our current strong cash positions.

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 June 30, 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)
- Suspend purchases of mortgage investments
- 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 \$2.9 billion, external borrowings have been reduced and significant operating expense savings continue to be realized.

Financial Results through June 30, 2010

Members United earned \$1 million for the month ended June 30, 2010, increasing retained earnings to \$9.6 million. Regulatory capital, consisting of retained earnings and Membership Capital Shares totaled \$23.2 million as of June 30, 2010.

OTTI Update

Members United did not record any OTTI during the month of June. It should be noted that an OTTI review is currently underway and charges will be recorded in July 2010 and reported in the next Portfolio Update. While the OTTI review is not complete, preliminary results indicate that retained earnings of \$9.6 million will be sufficient to absorb OTTI charges. Therefore, as of the date of this report, Members United does not anticipate that it will be required to deplete Membership Capital Shares (MCS) in August 2010. Said differently, retained earnings will absorb the expected OTTI charges and current MCS will remain intact.

Please recall that Members United recorded \$21.1 million of OTTI as of April 30, 2010. A recent review by internal audit of the OTTI calculation uncovered a one-time formula error which overstated OTTI by \$1.2 million (said differently, Members United recorded \$1.2 million more OTTI than required as of April 30, 2010). From a financial statement perspective, the error represented less than 0.2% of the cumulative OTTI of \$562.3 million recorded to date. From a depletion perspective, the percentage processed on May 25, 2010 would have been reduced from 89.7% to 88.8%. The difference of 0.9% will either be applied to reduce any future depletions, or replenished to the MCS accounts should that prove to be the proper course of action.

Monoline Insurers

Monoline insurers remain stressed and continue to represent a financial risk of loss. This section provides additional information regarding Members United's exposure to monoline insurance providers. A portion of Members United's residential mortgage-related securities have insurance coverage to support the investment if underlying loan collateral performance deteriorates. The insurance is designed to provide principal and interest payments if the cash flows are not provided by the loan collateral itself. The coverage is provided by monoline insurance companies and is designed to further improve the credit quality of the specific investment owned by Members United.

The following table details the exposure to each monoline insurer at June 30, 2010. The net present value of the credit loss component of the OTTI calculation represents the difference between the "par" and the "amortized cost".

(All dollar amounts are reflected in thousands)

Monoline Insurer	Amortized			# of Securities	# of OTTI Securities
	Par	Cost	OTTI		
Ambac	\$ 270,750	\$ 201,099	\$ 69,651	28	21
MBIA	303,338	303,338	-	16	-
FGIC	134,929	89,945	44,984	18	13
AGM	66,826	66,826	-	6	-
SIG	22,208	13,218	8,990	5	5
CIFG	7,880	3,426	4,454	1	1
Total	\$ 805,931	\$ 677,852	\$ 128,079	74	40

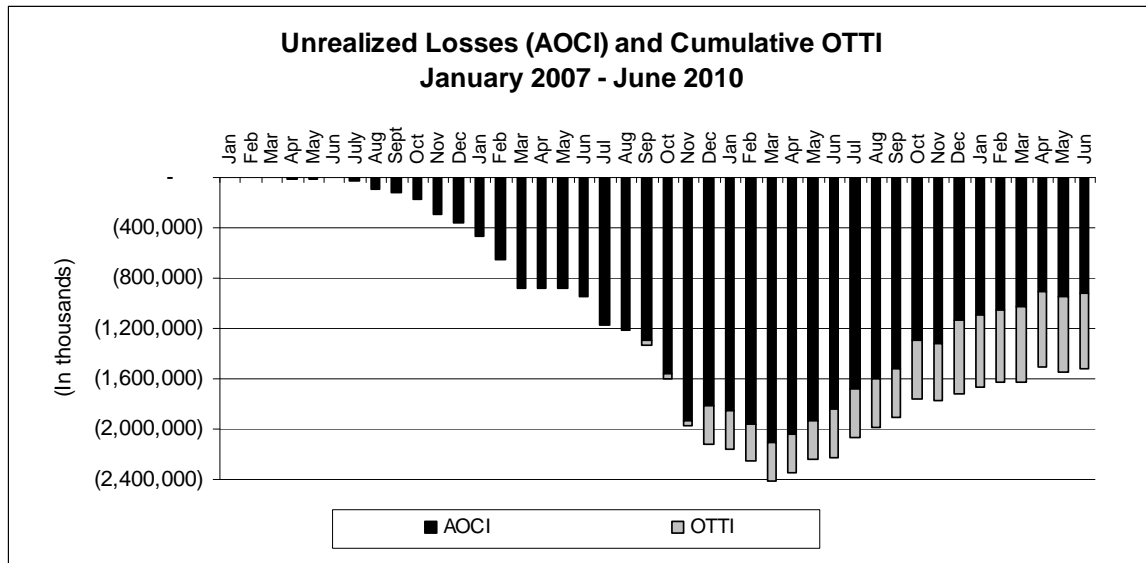
For purposes of estimating OTTI, Members United placed no reliance on the insurance provided by SGI, FGIC or CIFG as of December 31, 2009. Members United has placed partial reliance on the insurance provided by Ambac for purposes of estimating OTTI. Specifically, partial reliance in the amount of 25 percent has been placed on the insurance provided by Ambac for purposes of estimating OTTI.

Members United continues to place full reliance on AGM and MBIA in connection with the current OTTI review that is underway. No OTTI has been recorded for investments that are insured by AGM or MBIA. AGM continues to be rated AAA and MBIA is rated BB+ by Standard & Poor's. Both insurers are paying claims, as necessary, on a timely basis and management believes they will continue to pay claims in the future.

Valuation Trends

Investment values fell during the month of May 2010 when the stock market experienced its "flash crash". This event increased volatility expectations and, therefore, hurt values. Valuations stabilized during June 2010.

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 \$1.5 billion as of June 30, 2010 compared to \$2.4 billion as of March 31, 2009 (the low point in the chart).



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 \$2.7 million less than the same period in 2009 and actuals are favorable compared to the budgeted levels.

From May 16, 2010 through June 15, 2010 (the applicable expense reporting period), the executive leadership team expense reports totaled \$8,441 (details are available upon request). The executive leadership team includes Joe Herbst, Todd Adams, Kevin Brauer, John Collins and Ron Koza.

Unaudited Financial Information as of June 30, 2010

A summarized balance sheet, income statement and capital ratios are provided below:

**MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2010
UNAUDITED
(in thousands)**

	<u>June 30,</u>	
	2010	2009
Assets		
Cash and cash equivalents	\$ 2,144,481	\$ 1,790,334
Overnight deposits at U.S. Central	794,645	1,022,157
Investment securities, at fair value	3,420,488	3,533,516
Interest earning deposits at U.S. Central	949,933	902,998
Loans, net	724,288	923,916
Fixed assets, net	8,775	9,619
Accrued income and other assets	107,622	89,988
Total assets	<u>\$ 8,150,232</u>	<u>\$ 8,272,528</u>
Liabilities and Members' Deficit		
Borrowings and other liabilities		
U.S. Central borrowings	\$ 59,928	\$ 165,760
Securities sold under agreements to repurchase	-	138,128
Federal Home Loan Bank	103,102	233,832
Other borrowings	91	51,167
Accrued expenses and other liabilities	99,159	102,520
Total borrowings and other liabilities	262,280	691,407
Shares and certificates	8,782,002	9,218,787
Total liabilities	9,044,282	9,910,194
Members' capital (deficit)		
Membership capital shares	13,605	477,637
Paid-in capital shares	-	79,440
Retained earnings (accumulated deficit)	9,615	(357,104)
Total capital	23,220	199,973
Accumulated other comprehensive loss	(917,270)	(1,837,639)
Total members' capital (deficit)	(894,050)	(1,637,666)
Total liabilities and members' capital (deficit)	<u>\$ 8,150,232</u>	<u>\$ 8,272,528</u>

MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
CONSOLIDATED STATEMENTS OF INCOME
AS OF JUNE 30, 2010
UNAUDITED
(in thousands)

	Month Ended		Year-to-Date	
	June 30,		June 30,	
	2010	2009	2010	2009
Interest income				
Investments	\$ 4,141	\$ 8,328	\$ 26,519	\$ 63,688
Loans	2,254	3,053	14,499	22,040
Total interest income	<u>6,395</u>	<u>11,381</u>	<u>41,018</u>	<u>85,728</u>
Interest expense				
Members' accounts	4,072	7,686	27,875	55,368
Borrowings	393	908	2,294	11,859
Total interest expense	<u>4,465</u>	<u>8,594</u>	<u>30,169</u>	<u>67,227</u>
Net interest income	<u>1,930</u>	<u>2,787</u>	<u>10,849</u>	<u>18,501</u>
Provision for loan losses	(118)	(24)	(114)	47
Net interest income after provision for loan losses	<u>1,812</u>	<u>2,763</u>	<u>10,735</u>	<u>18,548</u>
Noninterest income				
Service fee income, net	1,884	2,142	11,087	11,482
Other income	52	172	380	284
Total noninterest income	<u>1,936</u>	<u>2,314</u>	<u>11,467</u>	<u>11,766</u>
Noninterest expense				
Salaries and employee benefits	1,718	3,112	10,374	13,096
Training, travel and communications	151	155	828	1,549
Office operations	252	278	1,630	1,929
Professional and outside services	304	285	1,686	2,748
Office occupancy	165	221	1,182	1,425
Other	115	55	733	460
NCUSIF stabilization expense	136	(1,300)	816	(1,300)
Total noninterest expense	<u>2,841</u>	<u>2,806</u>	<u>17,249</u>	<u>19,907</u>
Core net income	907	2,271	4,953	10,407
Adjustments to core net income	208	(81,591)	(11,525)	(89,927)
Net income (loss)	<u>\$ 1,115</u>	<u>\$ (79,320)</u>	<u>\$ (6,572)</u>	<u>\$ (79,520)</u>

MEMBERS UNITED CORPORATE FEDERAL CREDIT UNION
KEY FINANCIAL INFORMATION
JUNE 30, 2010
UNAUDITED
(in thousands)

Capital Ratios

	June 30,		November 30,	Regulatory Limits or Thresholds
	2010	2009	2008	
Qualifying membership capital shares	\$ 13,605	\$ 477,637	\$ 486,066	
Paid-in capital shares	-	79,440	79,440	
Retained earnings (accumulated deficit)	9,615	(357,104)	300,396	
Total capital	<u>\$ 23,220</u>	<u>\$ 199,973</u>	<u>\$ 865,902</u>	
12-month daily average net assets	\$ 8,342,119	\$ 8,974,460	\$ 11,950,268	
Capital ratio	0.28%	2.23%	7.25%	5.00%
Core capital ratio	0.12%	-3.09%	3.18%	3.00%
Retained earnings ratio	0.12%	-3.98%	2.51%	2.00%

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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