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U.S. CENTRAL FEDERAL CREDIT UNION

QUARTERLY FINANCIAL REPORT

FOURTH QUARTER ENDED DECEMBER 31, 2009

U.S. CENTRAL FEDERAL CREDIT UNION
QUARTERLY FINANCIAL REPORT
INDEX

Management's Discussion and Analysis

Recent Market Developments

Further signs of economic recovery emerged during the fourth quarter of 2009. Gross Domestic Product grew at the fastest pace in six years, as government stimulus programs appear to have mitigated the effects of a deleveraging consumer. In addition, payroll growth was positive in November for the first time in nearly two years. The burgeoning recovery caused spreads to move tighter in virtually all fixed income sectors during the quarter. While the recovery remains tenuous, market participants have begun to consider the effects of reduced monetary and fiscal stimulus, rather than project continued economic weakness. However, liquidity levels at U.S. Central remained high as deposit growth continued to outstrip loan demand at natural person credit unions.

Amid continued signs of recovery in the U.S. economy, projections of losses in U.S. Central's existing investment portfolio increased again in the fourth quarter. Including amounts related to certain insured securities, other-than-temporary impairment charges recorded in earnings (OTTI charges) totaled $771.8 million for the fourth quarter, bringing charges for the year to $2.1 billion.

A more detailed discussion of U.S. Central's fourth quarter operating results and OTTI charges is provided below.

Results of Operations

U.S. Central recorded a $750.9 million net loss for the fourth quarter of 2009, compared with a net loss of $4.9 billion for the same period in 2008. In both instances, U.S. Central's net losses were driven almost completely by significant OTTI charges, which totaled $771.8 million and $4.9 billion in the fourth quarters of 2009 and 2008, respectively. However, it should be noted that fourth quarter 2008 OTTI charges reflect the full difference between amortized cost and fair value, as required under previous accounting guidance. OTTI charges recorded in earnings during 2009 reflect only "credit losses", in accordance with guidance included in Accounting Standards Codification (ASC) 320 *Investments – Debt and Equity Securities* (formerly known as Financial Accounting Standards Board Staff Position 115-2 / 124-2), which U.S. Central adopted on January 1, 2009. Also, U.S. Central reclassified the "non-credit" portion of 2008 OTTI charges totaling $3.7 billion from retained earnings to accumulated other comprehensive loss upon adoption of this guidance, leaving credit losses of $1.2 billion reflected in retained earnings. In total, additional credit losses of $2.1 billion were recorded as OTTI charges in 2009. Additional discussion of U.S. Central's OTTI recognition policy is provided in Note B to the consolidated financial statements.

Fourth quarter 2009 OTTI charges of $771.8 million were caused by further deterioration in many of U.S. Central's consumer-based investment securities, particularly non-agency residential mortgage-backed securities (RMBS). Included in this amount are OTTI charges of $416.1 million on securities insured by Ambac Assurance Corporation (Ambac) – one of several insurers of securities in U.S. Central's portfolio. During the fourth quarter, management reassessed its view of Ambac and determined that it was unlikely that all projected payments required of the insurer would be received. As a result, management believes that U.S. Central will incur a credit loss on securities where, absent the effects of insurance, a loss of principal or interest is projected. Prior to the fourth quarter of 2009, management projected that all payments required of Ambac would be received and, as a result, had not recorded OTTI charges on any Ambac-insured securities.

In order to estimate credit losses associated with Ambac-insured securities, it is necessary to project the portion of required claims that will be received from the insurer. Based on information available through March 1, 2010 (the date U.S. Central originally reported fourth quarter 2009 results), management estimated that 80 percent of future claims would be received, which resulted in credit losses of $142.1 million on the applicable securities. However, on March 25, 2010, Ambac announced actions that had been taken at the direction of its regulator, the Office of the Commissioner of Insurance of the State of Wisconsin (the Commissioner), to address Ambac's weakened financial position. Specifically, Ambac announced the following actions:

- The establishment of a segregated account (the Segregated Account) for certain of Ambac's liabilities, including certain policies insuring or related to credit default swaps, all of its RMBS obligations, certain student loan policies, certain contingent liabilities, and other policies insuring troubled credits.

- Ambac's issuance of a $2,000,000,000 secured note and an aggregate excess-of-loss reinsurance agreement to support the Segregated Account.

- The Commissioner's commencement of rehabilitation proceedings with respect to the Segregated Account in order to facilitate an orderly run-off and/or settlement of those liabilities.

- The suspension of claims payments related to liabilities in the Segregated Account pending approval of Ambac's rehabilitation plan, estimated to take approximately six months.

- The successful commutation of substantially all collateralized debt obligations of asset-backed securities at a substantial discount to the expected present value of projected claims.

Separate from Ambac's press release, the Commissioner has stated that, once a rehabilitation plan is approved, claims payments with regard to the Segregated Account are anticipated to resume, as follows:

- Policyholders would receive 25 percent of required claims in cash, and 75 percent in Surplus Notes, which are essentially residual interests in the assets of the Segregated Account and any proceeds of the reinsurance policy.

- The Surplus Notes would mature 10 years from the approval of the rehabilitation plan, and bear a 5.1 percent fixed annual interest rate.

Management believes that these announced actions represent a recognized subsequent event and, accordingly, has incorporated them into estimates of future claims projected to be received from Ambac as of December 31, 2009. As a result, management's estimate of claims to be received from Ambac decreased to 25 percent (of claims due in March 2010 or after). This change in estimate increased fourth quarter 2009 credit losses on Ambac-insured securities to $416.1 million.

Excluding OTTI charges, U.S. Central recorded net gains on financial instruments of $16.2 million in the fourth quarter of 2009, compared with losses of $27.1 million for the same period in 2008. The issuer of $100.0 million of corporate debt owned by U.S. Central entered, and emerged from, bankruptcy in the fourth quarter of 2009. Because U.S. Central believed that all principal and interest would not be received on this security, an OTTI charge of $35.0 million was recorded in September 2009 based on market data available at that time. Upon the issuer's exiting bankruptcy in December 2009, U.S. Central received newly-issued debt and common stock with a combined fair value of $77.6 million in exchange for its original investment. As a result, U.S. Central recorded a gain of $12.6 million on the exchange, representing the difference between the fair value of the assets received ($77.6 million) and the impaired basis of the original investment ($65.0 million). Other net gains, related to hedging activities and changes in the fair value of U.S. Central's jumbo mortgage loan portfolio, totaled $3.6 million for the quarter.

Net interest income totaled $12.7 million in the fourth quarter of 2009, compared with $95.0 million during the same period in 2008, a decrease of $82.3 million (86.7 percent). U.S. Central maintains an asset-sensitive interest rate risk exposure. As a result, when the average 1-month LIBOR rate decreased from 2.17 percent in the fourth quarter of 2008 to 0.24 percent in fourth quarter of 2009, net interest income also decreased significantly. Also, as principal payments on investment securities were received throughout 2008 and 2009, U.S. Central has placed these amounts in a cash account at the Federal Reserve Bank of Kansas City, which earns a lower rate of interest than the maturing securities. Finally, because interest income on impaired (OTTI) securities is recorded based on the reduced cost basis of the assets (see Note B to the consolidated financial statements), interest income was reduced by $7.8 million in the fourth quarter of 2009.

Fee income totaled $5.4 million in the fourth quarter of 2009, compared with $4.7 million for the same period in 2008, an increase of $0.7 million (14.7 percent). U.S. Central earns fee income from payment products, such as Automated Settlement and APEX-ACH. Fee income also includes income from services provided by wholly- or partially-owned subsidiaries, such as electronic bill payment services offered by Corporate Network eCom, L.L.C., and broker-dealer services offered by CU Investment Solutions, Inc. (ISI). Increased trade activity related to ISI's Corporate Agent program was the primary reason for the increase in fee income.

Operating expenses were $13.1 million for the fourth quarter of 2009, a decrease of $4.3 million (24.5 percent) as compared with the same period in 2008. Expenses for salaries and benefits decreased $0.6 million, primarily as a result of fewer staff and reductions in other employee benefits. Data processing costs decreased $0.5 million as a result of lower Automated Clearing House (ACH) back-end processing replacement costs. Professional and outside services decreased $2.5 million, as

U.S. Central incurred fewer external consultant fees and audit fees related to deteriorating market conditions in 2009. Finally, U.S. Central has placed restrictions on marketing, public relations, travel and incidental spending, which resulted in a reduction of operating expenses of nearly $0.5 million.

Balance Sheet

U.S. Central's assets as of Dec. 31, 2009 totaled $35.1 billion, an increase of $8.0 billion, or 29.3 percent, from $27.1 billion as of Dec. 31, 2008. The increase in total assets primarily reflects an increase of $12.4 billion in cash held at the Federal Reserve Bank of Kansas City offset by a $1.7 billion decline in investment securities (carried at fair value) and a $2.7 billion decrease in loans.

Total funding, excluding capital accounts, was $41.5 billion as of Dec. 31, 2009, compared with $36.9 billion as of Dec. 31, 2008, an increase of $4.6 billion (12.4 percent). Within this category, borrowed funds decreased by $2.2 billion and members' share and certificate accounts increased by $6.8 billion. Member accounts remain U.S. Central's primary source of funding, totaling $26.5 billion at Dec. 31, 2009.

Portfolio Overview

The following tables present overviews of U.S. Central's investment securities based on lowest and highest ratings by Standard & Poor's (S&P) or Moody's Investor Service (Moody's). (If specific securities are not rated by S&P or Moody's, U.S. Central uses ratings of Fitch Ratings.) The amortized cost amounts presented in these tables, and the tables that follow, have been adjusted to reflect cumulative OTTI charges recorded in earnings as of the date presented.

Investment Securities Portfolio - December 31, 2009
(dollars in thousands)

	Amortized Cost of Securities Based on Lowest Rating:						Total	Total	Avg. Credit
	AAA	AA	A	BBB	<BBB	Not Rated	Amortized Cost	Fair Value	Enhancement
Agency Debt	$ 53,037	$ -	$ -	$ -	$ -	$ -	$ 53,037	$ 53,085	
Agency RMBS	1,271,525	-	-	-	-	-	1,271,525	1,242,010	
Non-Agency RMBS									
FICO 720 or higher	132,660	203,219	296,506	361,195	2,023,510	-	3,017,090	1,901,475	18.9%
FICO 719 - 680	110,445	1,012,334	12,356	153,166	4,845,578	-	6,133,879	3,156,269	57.7%
FICO 679 - 620	556,107	552,243	484,025	87,906	2,369,084	-	4,049,365	1,996,687	36.8%
FICO 619 or lower	149,462	111,352	-	21,611	442,162	-	724,587	328,691	49.3%
Subtotal	948,674	1,879,148	792,887	623,878	9,680,334	-	13,924,921	7,383,122	42.8%
ABS									
Credit Cards	5,385,483	-	-	-	-	-	5,385,483	5,265,098	
Student Loans	2,469,900	103,821	-	-	-	-	2,573,721	2,392,109	
Autos	192,210	302,253	-	1,047,000	35,000	-	1,576,463	1,535,552	
CMBS	371,599	-	-	-	-	-	371,599	372,930	
Other	313,106	110,041	13,577	-	27,360	-	464,084	451,023	
Subtotal	8,732,298	516,115	13,577	1,047,000	62,360	-	10,371,350	10,016,712	
Corporate Bonds & Notes	-	356,234	650,031	77,904	170,000	104,758	1,358,927	1,247,071	
Common Stock	-	-	-	-	-	16,277	16,277	16,646	
Total Investment Securities	$ 11,005,534	$ 2,751,497	$ 1,456,495	$ 1,748,782	$ 9,912,694	$ 121,035	$ 26,996,037	$ 19,958,646	

Investment Securities Portfolio - December 31, 2009
(dollars in thousands)

	Amortized Cost of Securities Based on Highest Rating:						Total	Total	Avg. Credit
	AAA	AA	A	BBB	<BBB	Not Rated	Amortized Cost	Fair Value	Enhancement
Agency Debt	$ 53,037	$ -	$ -	$ -	$ -	$ -	$ 53,037	$ 53,085	
Agency RMBS	1,271,525	-	-	-	-	-	1,271,525	1,242,010	
Non-Agency RMBS									
FICO 720 or higher	711,870	462,923	72,877	399,645	1,369,775	-	3,017,090	1,901,475	18.9%
FICO 719 - 680	1,347,682	141,833	53,184	312,807	4,278,373	-	6,133,879	3,156,269	57.7%
FICO 679 - 620	1,378,802	236,774	314,948	95,127	2,023,714	-	4,049,365	1,996,687	36.8%
FICO 619 or lower	191,840	84,455	24,101	35,536	388,655	-	724,587	328,691	49.3%
Subtotal	3,630,194	925,985	465,110	843,115	8,060,517	-	13,924,921	7,383,122	42.8%
ABS									
Credit Cards	5,385,483	-	-	-	-	-	5,385,483	5,265,098	
Student Loans	2,543,721	30,000	-	-	-	-	2,573,721	2,392,109	
Autos	244,463	250,000	1,000,000	47,000	35,000	-	1,576,463	1,535,552	
CMBS	371,599	-	-	-	-	-	371,599	372,930	
Other	436,724	-	-	-	27,360	-	464,084	451,023	
Subtotal	8,981,990	280,000	1,000,000	47,000	62,360	-	10,371,350	10,016,712	
Corporate Bonds & Notes	-	706,257	300,008	77,904	170,000	104,758	1,358,927	1,247,071	
Common Stock	-	-	-	-	-	16,277	16,277	16,646	
Total Investment Securities	$ 13,936,746	$ 1,912,242	$ 1,765,118	$ 968,019	$ 8,292,877	$ 121,035	$ 26,996,037	$ 19,958,646	

U.S. Central owns certain investment securities guaranteed by monoline insurers. In these cases, the insurance is a secondary form of protection that supplements normal credit enhancements embedded in the security. Management has reviewed the financial condition and claims paying ability of each monoline insurer to which U.S. Central has exposure, and compared that information to U.S. Central's projected reliance on each monoline insurer. In two cases, Financial Guaranty Insurance Company (FGIC) and Ambac, management projected that the insurers' claims paying abilities were not sufficient to pay all required claims. Management reached this conclusion for FGIC in the fourth quarter of 2008, and for Ambac in the fourth quarter of 2009. As a result, OTTI charges have been recorded on securities insured by FGIC and Ambac if, without the support of insurance, those securities were projected to experience a loss of principal or interest. In calculating OTTI charges for Ambac-insured securities, management assumed that 25 percent of required claims payments would be received (see previous discussion in *Results of Operations)*. Management has placed no reliance on FGIC in determining OTTI charges for securities backed by that insurer. Insured assets, as well as ratings of the monoline insurers, are presented in the table below as of Dec. 31, 2009:

Monoline Insurer Exposure Summary - December 31, 2009

(dollars in thousands)

	Amortized Cost of Monoline Exposure:				Non-	Total	Total
	Assured	Ambac	FGIC	MBIA	Guaranteed	Amortized Cost	Fair Value
Agency Debt	$ -	$ -	$ -	$ -	$ 53,037	$ 53,037	$ 53,085
Agency RMBS	-	-	-	-	1,271,525	1,271,525	1,242,010
Non-Agency RMBS							
FICO 720 or higher	16,507	62,731	138,984	53,545	2,745,323	3,017,090	1,901,475
FICO 719 - 680	938,995	588,478	307,308	888,544	3,410,554	6,133,879	3,156,269
FICO 679 - 620	232,124	19,437	202,369	239	3,595,196	4,049,365	1,996,687
FICO 619 or lower	7,889	79,459	64,885	-	572,354	724,587	328,691
Non-Agency RMBS	1,195,515	750,105	713,546	942,328	10,323,427	13,924,921	7,383,122
ABS							
Credit Cards	-	-	-	-	5,385,483	5,385,483	5,265,098
Student Loans	-	-	-	-	2,573,721	2,573,721	2,392,109
Autos	52,253	35,000	-	47,000	1,442,210	1,576,463	1,535,552
CMBS	-	-	-	-	371,599	371,599	372,930
Other	110,041	-	27,360	13,578	313,105	464,084	451,023
Subtotal	162,294	35,000	27,360	60,578	10,086,118	10,371,350	10,016,712
Corporate Bonds & Notes	-	43,333	-	170,000	1,145,594	1,358,927	1,247,071
Common Stock	-	-	-	-	16,277	16,277	16,646
Total Investment Securities	$ 1,357,809	$ 828,438	$ 740,906	$ 1,172,906	$ 22,895,978	$ 26,996,037	$ 19,958,646

Monoline Agency Ratings:

	Assured	Ambac	FGIC	MBIA
Standard and Poor's	AAA	CC	N/r	BB+
Fitch Ratings	AA+	N/r	N/r	N/r
Moody's Investors Service	Aa2	Caa2	N/r	B3

Capital

Historically, U.S. Central's regulatory capital has consisted of retained earnings, Paid-in Capital (PIC), and Membership Capital Shares (MCS). On January 28, 2009, U.S. Central received a $1.0 billion capital note from the National Credit Union Share Insurance Fund (NCUSIF) to be treated as PIC for all regulatory purposes. The NCUSIF capital note has no stated maturity and has priority over any other capital accounts at U.S. Central, including PIC and MCS.

Under the definitions of membership capital and paid-in capital in Part 704.2 of the Rules and Regulations of the National Credit Union Administration (NCUA) (Part 704.2), capital is available to cover losses that exceed retained earnings. In May 2009, the NCUA published Letter to Credit Unions 09-CU-10, reinforcing the regulatory requirement in Part 704.2 that PIC and MCS are available to cover losses that exceed retained earnings and stating that, when there is an accumulated deficit (retained earnings deficit) at a corporate credit union, PIC and MCS must be depleted to the extent necessary to eliminate the accumulated deficit. As a result of OTTI charges recorded in 2008 and 2009, U.S. Central's retained earnings have been fully exhausted, and all PIC and MCS balances have been fully depleted. In addition, the NCUSIF capital note has been depleted by $605.0 million.

In April 2009, the NCUA issued an order authorizing corporate credit unions, including U.S. Central, to use capital levels as reported in their respective 5310 regulatory call reports from November 2008 for determining compliance with regulatory capital ratio and retained earnings ratio requirements. Under NCUA regulations, U.S. Central's minimum required capital ratio is 5.0 percent, while its minimum required retained earnings ratio is 1.0 percent. In accordance with this order, U.S. Central's regulatory capital ratio and retained earnings ratio as of Dec. 31, 2009, equaled 6.8 percent and 1.8 percent, respectively, compared with 6.6 percent and 1.7 percent, respectively, as of Dec. 31, 2008. Using actual capital balances as of Dec. 31, 2009, U.S. Central's capital ratio and retained earnings ratio were 1.0 percent and 0.0 percent, respectively, compared with negative 5.5 percent and negative 10.4 percent, respectively, as of Dec. 31, 2008.

Liquidity

In October 2009, U.S. Central issued $4.0 billion par of medium-term notes guaranteed by the NCUSIF under the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP), which was established by the NCUA Board in October 2008, and amended in May 2009. The notes bear both fixed and floating interest rates and mature in October 2011 ($2.0 billion) and October 2012 ($2.0 billion). As of December 31, 2009, U.S. Central had outstanding additional TCCULGP borrowings totaling $5.9 billion, of which $5.8 billion mature in the first quarter of 2010. These borrowings were originated under the NCUA's Credit Union System Investment Program (CU SIP) and Credit Union Homeowners Affordability Relief Program (CU HARP), and are guaranteed under the TCCULGP. U.S. Central may have outstanding at any one time a maximum of $10.0 billion of guaranteed borrowings under the TCCULGP. The following table presents U.S. Central's sources of liquidity, borrowings outstanding (at par value) and unused capacity as of quarter-end.

Sources of Available Liquidity - December 31, 2009

(in thousands)

	Total Capacity	Borrowings Outstanding	Unused Capacity
Borrowings under TCCULGP	$ 10,000,000	$ 9,930,586	$ 69,414
Repurchase agreement borrowing facilities	4,500,000	-	4,500,000
FHLB advances	1,719,981	-	1,719,981
	$ 16,219,981	$ 9,930,586	$ 6,289,395

In addition to the borrowings discussed above, the NCUA extended a $5.0 billion direct loan to U.S. Central from the NCUSIF in December 2009. The loan matures in December 2010.

Interest Rate Risk and Spread Risk

U.S. Central's net economic value (NEV) sensitivity is limited by NCUA regulation to a decrease of not more than 28 percent under +/- 300 basis point (b.p.) interest rate scenarios. U.S. Central is also required to maintain an NEV ratio of not less than 2 percent under the same scenarios. If U.S. Central fails to meet its regulatory capital or NEV requirements, U.S. Central must submit a plan to achieve compliance. Because of the effects of the declines in securities valuations, U.S. Central's NEV became negative in 2008. As a result, U.S. Central did not comply with the NEV sensitivity requirement or the NEV ratio requirement and submitted the required plan to NCUA. The plan was approved by NCUA in April 2008. U.S. Central's NEV remained negative throughout 2009.

The following table illustrates NEV sensitivity as of Dec. 31, 2009 in various rate scenarios. Because U.S. Central's base NEV is negative as of Dec. 31, 2009, percentage changes from base case are not presented. A table detailing spread risk as of Dec. 31, 2009 is also provided.

Net Economic Value Sensitivity - December 31, 2009

(dollars in thousands)

	Base Case	Up 100	Up 200	Up 300
NEV Sensitivity	$ (6,760,917)	$ (6,794,508)	$ (6,923,600)	$ (7,018,392)
Chg. from Base	n/a	(33,591)	(162,683)	(257,475)

Spread Risk Summary - December 31, 2009

(dollars in thousands)

	Book Value	WAL in years	Change in Fair Value From a Spread Increase of 1 Basis Point
Spread Sensitive:			
Assets *	$ 27,753,172	5.02	$ (15,627)
Liabilities **	27,408,542	1.21	3,273
Derivatives	12,298,423	1.29	(1,553)
			$ (13,907)

* Assets with greater than 1 day maturity

** Liabilities and shares with greater than 15 days to maturity

U.S. Central Federal Credit Union
Consolidated Balance Sheets (in thousands)

	December 31, 2009 (Audited)	December 31, 2008 (Audited)
Assets		
Cash	$ 12,489,517	$ 74,965
Federal funds sold	138,722	134,470
Investment securities	19,958,646	21,655,807
Loans	490,905	3,171,310
Stock of the Central Liquidity Facility	1,750,551	1,643,347
Other assets	246,584	437,031
Total assets	$ 35,074,925	$ 27,116,930
Liabilities and Members' Equity		
Liabilities:		
Member federal funds purchased	$ -	$ 3,313,820
SIP/HARP borrowings	5,934,739	-
NCUSIF borrowings	5,000,000	-
Short-term borrowings	30,398	13,864,817
Notes payable	3,986,395	-
Other liabilities	258,515	363,643
Total liabilities	15,210,047	17,542,280
Members' Equity:		
Members' share and certificate accounts	26,540,542	19,721,998
NCUSIF capital	395,032	-
Membership capital shares	-	1,243,092
Paid-in capital	-	195,638
Retained earnings	-	(3,688,865)
Total capital	395,032	(2,250,135)
Accumulated other comprehensive loss	(7,070,696)	(7,897,213)
Total members' equity	19,864,878	9,574,650
Total liabilities and members' equity	$ 35,074,925	$ 27,116,930

U.S. Central Federal Credit Union
Consolidated Statement of Income (in thousands)

	Three Months Ended December 31, 2009 (Unaudited)	Three Months Ended December 31, 2008 (Unaudited)	Year Ended December 31, 2009 (Audited)	Year Ended December 31, 2008 (Audited)
Interest and dividend income:				
Time deposits	$ 6,716	$ 1,112	$ 21,038	$ 7,266
Federal funds sold	32	429	141	22,629
Securities purchased under agreements to resell	843	4,261	3,216	48,917
Investment securities	85,876	289,064	440,508	1,338,619
Loans	6,279	29,563	37,989	103,248
Stock of the Central Liquidity Facility	1,324	11,901	17,763	55,128
Total interest and dividend income	101,070	336,330	520,655	1,575,807
Interest and dividend expense:				
Members' share and certificate accounts	68,980	174,984	363,959	1,044,290
Short-term borrowings and notes	19,405	66,320	87,678	293,359
Total interest and dividend expense	88,385	241,304	451,637	1,337,649
Net interest income, excluding dividends on membership capital shares	12,685	95,026	69,018	238,158
Net gains (losses) on financial instruments:				
Other-than-temporary impairment charges	(771,847)	(4,926,639)	(2,098,767)	(4,926,639)
Other net gains (losses) on financial instruments	16,170	(27,145)	15,904	(54,765)
Total net losses on financial instruments	(755,677)	(4,953,784)	(2,082,863)	(4,981,404)
Fee income	5,387	4,696	21,318	20,170
Operating expenses:				
Salaries and benefits	4,974	5,534	22,081	27,549
Data processing	4,584	5,054	13,074	14,777
Professional and outside services	2,486	4,976	9,704	13,837
Office occupancy and administration	643	750	2,671	3,034
Marketing and public relations	50	197	240	1,258
Travel and incidentals	32	350	299	1,854
Other	350	516	1,623	1,889
Total operating expenses	13,119	17,377	49,692	64,198
Net loss before dividends on membership capital shares, noncontrolling interests and equity in loss of unconsolidated affiliate	(750,724)	(4,871,439)	(2,042,219)	(4,787,274)
Dividends on membership capital shares	-	5,937	-	44,370
Net loss before noncontrolling interest and equity in loss of unconsolidated affilitate	(750,724)	(4,877,376)	(2,042,219)	(4,831,644)
Noncontrolling interest	(12)	103	328	241
Equity in loss of unconsolidated affiliate	(195)	-	(195)	-
Net loss	$ (750,931)	$ (4,877,273)	$ (2,042,086)	$ (4,831,403)

U.S. Central Federal Credit Union
Consolidated Statements of Comprehensive Income (in thousands)

	Three Months Ended December 31, 2009 (Unaudited)	Three Months Ended December 31, 2008 (Unaudited)	Year Ended December 31, 2009 (Audited)	Year Ended December 31, 2008 (Audited)
Net loss	$ (750,931)	$ (4,877,273)	$ (2,042,086)	$ (4,831,403)
Other comprehensive gain (loss):				
Reversal of non-credit other-than-temporary impairment charges	-	-	(3,688,865)	-
Net change in unrealized gains (losses) on available-for-sale investment securities	1,790,793	(9,007,272)	2,362,841	(11,409,091)
Net (amortization) accretion of basis adjustments in held-to-maturity securities	-	27,415	-	174,915
Net change in unrealized gains (losses) on cash-flow hedges	31,878	(61,341)	83,493	(88,951)
Net unrealized (gains) losses on investment securities reclassified to earnings on fair-value hedging relationships	224	(4,394)	7,003	(575)
Reclassification for net (gains) losses on cash-flow hedges included in net income	(21,995)	11,770	(24,077)	262
Reclassification for net realized (gains) losses on investment securities included in net income	(12,645)	3	(12,645)	(1,814)
Reclassification for other-than-temporary impairment charges included in net income	771,847	4,926,639	2,098,767	4,926,639
Other comprehensive gain (loss)	2,560,102	(4,107,180)	826,517	(6,398,615)
Total comprehensive gain (loss)	$ 1,809,171	$ (8,984,453)	$ (1,215,569)	$ (11,230,018)

Consolidated Statements of Members' Equity (in thousands)

	Members' Shares & Certificates	Membership Capital Shares	NCUSIF Capital	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss
Balances as of January 1, 2008 (audited)	$ 36,994,406	$ 1,434,061	$ -	$ 300,000	$ 598,260	$ (1,498,598)
Net gain upon adoption of Statement of Financial Standards No. 159, *The Fair Value Option for Financial Assets and Financials Liabilities*					609	
Conversion of membership capital shares to paid-in capital		(450,000)		450,000		
Net change in members' accounts	(17,272,408)	259,031				
Other comprehensive loss						(6,398,615)
Dividends on paid-in capital					(10,693)	
Net loss					(4,831,403)	
Depletion of member paid-in capital				(554,362)	554,362	
Balances as of December 31, 2008 (audited)	$ 19,721,998	$ 1,243,092	$ -	$ 195,638	$ (3,688,865)	$ (7,897,213)
Balances as of January 1, 2009 (audited)	$ 19,721,998	$ 1,243,092	$ -	$ 195,638	$ (3,688,865)	$ (7,897,213)
Reversal of Non-Credit OTTI charges					3,688,865	
NCUSIF capital contribution			1,000,000			
Net change in members' accounts	6,818,544	(1,612)				
Other comprehensive income						826,517
Net loss					(2,042,086)	
Depletion of membership capital shares		(1,241,480)			1,241,480	
Depletion of member paid-in capital				(195,638)	195,638	
Depletion of NCUSIF capital			(604,968)		604,968	
Balances as of December 31, 2009 (audited)	$ 26,540,542	$ -	$ 395,032	$ -	$ -	$ (7,070,696)

Notes to Consolidated Financial Statements

A. Consolidated Financial Statements

The consolidated financial statements for the period ended Dec. 31, 2009, included herein have not been audited. Information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. The accompanying financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the financial condition and results of operations for the periods presented. Such adjustments are normal and recurring in nature.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management has made assumptions in estimating (1) the fair value of financial instruments, (2) appropriate OTTI charges for investment securities, (3) appropriate loan loss allowances, and (4) the amortization/accretion of premiums/discounts on investments subject to prepayment risk. Actual results could differ from estimates made based on management assumptions.

These interim statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended Dec. 31, 2009.

B. Other-Than-Temporary Impairment (OTTI) Charges and Income Recognition

Prior to April 2009, OTTI charges were recorded fully in earnings, and calculated as the difference between amortized cost and fair value of the assets determined to be impaired. In April 2009, the FASB issued additional guidance under ASC 320 that changed the presentation and amount of OTTI charges recorded in earnings. Under these changes, impairment is to be separated into that related to “credit losses” (the difference between the present value of cash flows expected to be collected and the amortized cost basis) and that related to all other factors, such as market conditions (“non-credit” losses). Only credit losses are recorded in earnings, provided that the entity has no intent to sell the securities and it is more likely than not that the entity will not be required to sell the securities. Upon adoption of this guidance as of January 1, 2009, U.S. Central reclassified the non-credit portion of previously recorded OTTI charges ($3.7 billion) from retained earnings to accumulated other comprehensive loss (AOCL), resulting in the elimination of U.S. Central’s Dec. 31, 2008 accumulated deficit.

In order to calculate the credit loss portion of OTTI charges, U.S. Central calculates the present value of projected future principal and interest cash flows. The projected cash flows are discounted at the security’s effective yield at acquisition to arrive at the present value. To the extent that the current amortized cost basis of the security exceeds the calculated present value, a credit loss exists.

After an OTTI charge has been recorded, future interest income is recognized at the acquisition yield, based on the new amortized cost basis of the security (*i.e.*, previous amortized cost less OTTI charges recorded in earnings). For floating-rate securities, U.S. Central uses the actual current factor (index spot rate) to determine a security's yield, and updates the yield as the factor changes.

C. Fair Value Measurement

U.S. Central follows ASC 820 *Fair Value Measurements and Disclosures* (formerly known as Statement of Financial Accounting Standards No. 157) in determining the fair values of its assets, liabilities and derivatives. ASC 820 establishes a hierarchy for determining the fair value of a financial instrument. The hierarchy consists of three levels of valuations based on the evidence used to determine the valuation. ASC 820 requires that the highest level of valuation available be used. A "Level 1" valuation is a quoted market price for a particular (or identical) asset in a market that is actively trading. A valuation is considered to be "Level 2" when a quoted market price (in an active market) is not available, but all necessary inputs into the calculation of fair value represent data observable in an active market. A valuation is considered "Level 3" when any significant component of the fair value calculation is based on data that are not observable in an active market, but rather is based on estimates by management or outside parties.

Assets, liabilities and derivatives measured at fair value on a recurring basis are summarized below as of Dec. 31, 2009 (in thousands).

	Fair Value Using			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Available-for-sale securities	$ 16,646	$ 12,177,512	$ 7,764,488	$ 19,958,646
Mortgage loans held-for-sale	-	-	45,237	45,237
Derivative assets	-	27,312	-	27,312
Total assets	$ 16,646	$ 12,204,824	$ 7,809,725	$ 20,031,195
Liabilities				
Derivative liabilities	$ -	$ 72,728	$ -	$ 72,728
Total liabilities	$ -	$ 72,728	$ -	$ 72,728

The table below presents reconciliation for all assets measured at fair value on a recurring basis using Level 3 inputs in 2009 (in thousands).

	Total Fair Value		
	Available-For-Sale Securities	Mortgage Loans Held-For-Sale	Total
Balance, January 1, 2009	$ 9,052,263	$ 72,238	$ 9,124,501
Total gains or losses (realized/unrealized):			
Included in earnings (or changes in net assets)	(2,046,127)	4,734	(2,041,393)
Included in other comprehensive income	3,014,701	-	3,014,701
Purchases, sales, issuances, and settlements	(2,256,349)	(31,735)	(2,288,084)
Balance, December 31, 2009	$ 7,764,488	$ 45,237	$ 7,809,725

Supplemental Information

The spread analysis below presents U.S. Central's quarterly operating results as a percentage of daily average net assets (DANA) for the four most recent quarters. This spread analysis precedes a cash flow gap analysis, an analysis of net interest income and a fair value balance sheet as of Dec. 31, 2009. All items are presented on a consolidated basis.

Quarterly Spread Analysis - as a % of DANA
(dollars in thousands)

	Fourth Quarter 2009	Third Quarter 2009	Second Quarter 2009	First Quarter 2009
Interest and dividend income	1.021%	1.185%	1.339%	1.802%
Interest and dividend expense	-0.893%	-1.006%	-1.199%	-1.534%
Net interest income	0.128%	0.179%	0.140%	0.268%
Net losses on financial instruments	-7.637%	-3.330%	-4.535%	-5.786%
Fee income	0.054%	0.054%	0.050%	0.060%
Operating expenses	-0.133%	-0.117%	-0.115%	-0.141%
Net loss transferred to retained earnings	-7.588%	-3.214%	-4.460%	-5.599%
Reversal of prior non-credit OTTI charges	0.000%	0.000%	0.000%	40.718%
Net change in retained earnings/member capital	-7.588%	-3.214%	-4.460%	35.119%

The following analysis presents cash inflows from investments and cash outflows from liabilities and members' accounts equaling a net cash flow gap for a given time period. The amounts in the table are based on expected cash flows when assets or members' accounts contain prepayment features, such as in the case of mortgage- or asset-backed securities and U.S. Central's structured certificate offerings. Otherwise, amounts are based on legal maturity.

The table below does not include any reinvestment in U.S. Central by members as their accounts mature, nor does it assume that any borrowings are rolled as they mature. Management fully expects continued reinvestment in U.S. Central shares and certificates by its members and is confident in U.S. Central's ability to continue to borrow from current outside sources in the future. As such, the table does not depict management's expectations with regard to sources of funding in the future.

Cash Flow Gap for Interest Earning Assets and Liabilities (In thousands)

	Jan.10	Feb.10	Mar.10	Apr.10	May.10	Jun.10	Jul.10	Aug.10	Sep.10	Oct.10	Nov.10	Dec.10	> 1 Year	Total
Assets														
Money Market Investment	$ 12,608,725	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,608,725
Investment Securities	357,047	361,075	467,512	241,999	294,607	448,328	264,747	328,105	339,606	565,607	460,605	275,305	22,505,000	26,909,543
Loans to Members	48,010	14,686	22,554	2,389	4,199	11,816	2,848	12,500	10,094	5,018	3,246	2,633	259,382	399,375
Purchased Mtg/Auto Loans	2,324	1,594	1,567	1,528	1,488	1,450	1,414	836	1,351	1,313	2,105	1,480	88,429	106,879
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	1,751,701	1,751,701
Total Cash Inflows	$ 13,016,106	$ 377,355	$ 491,633	$ 245,916	$ 300,294	$ 461,594	$ 269,009	$ 341,441	$ 351,051	$ 571,938	$ 465,956	$ 279,418	$ 24,604,512	$ 41,776,223
Liabilities & Member Deposits														
Other Borrowings	$ 29,617	$ 66	$ 63	$ 61	$ 58	$ 55	$ 53	$ -	$ 50	$ 47	$ 45	$ 42	$ 241	$ 30,398
CU SIP/HARP/NCUA Borrowings	3,353,389	2,415,062	-	-	-	-	-	-	-	-	-	5,164,016	-	10,932,467
MTN/Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	4,000,000	4,000,000
Mbr Shares and Certificates	13,397,512	1,906,991	1,294,673	998,357	720,838	477,121	510,927	591,190	422,278	439,953	347,442	507,270	4,950,268	26,564,820
Total Cash Outflows	$ 16,780,518	$ 4,322,119	$ 1,294,736	$ 998,418	$ 720,896	$ 477,176	$ 510,980	$ 591,190	$ 422,328	$ 440,000	$ 347,487	$ 5,671,328	$ 8,950,509	$ 41,527,685
Cash Flow Mismatch	$ (3,764,412)	$ (3,944,764)	$ (803,103)	$ (752,502)	$ (420,602)	$ (15,582)	$ (241,971)	$ (249,749)	$ (71,277)	$ 131,938	$ 118,469	$ (5,391,910)	$ 15,654,003	
Cumulative Mismatch	$ (3,764,412)	$ (7,709,176)	$ (8,512,279)	$ (9,264,781)	$ (9,685,383)	$ (9,700,965)	$ (9,942,936)	$ (10,192,685)	$ (10,263,962)	$ (10,132,024)	$ (10,013,555)	$ (15,405,465)	$ 248,538	

Note: Results include asset and structured liability cash projections with contractual share and certificate maturities

Analysis of Net Interest Income

(dollars in thousands)

	For the Three Months Ended December 31, 2009			For the Three Months Ended December 31, 2008		
	Average Balance	Interest or Dividends	Average Rate	Average Balance	Interest or Dividends	Average Rate
Interest-earning assets:						
Cash	$ 9,584,136	$ 6,715	0.28%	$ 534,664	$ 1,026	0.76%
Time deposits	-	1	-	18,576	86	1.84%
Federal funds sold	133,094	32	0.10%	150,098	429	1.14%
Securities purchased under agreements to resell	1,320,443	843	0.25%	972,895	4,261	1.74%
Investment securities	28,132,127	85,876	1.21%	34,209,930	289,064	3.36%
Loans	583,404	6,279	4.27%	3,783,304	29,563	3.11%
Stock of the Central Liquidity Facility	1,750,551	1,324	0.30%	1,643,177	11,901	2.88%
Total interest-earning assets	$ 41,503,755	101,070	0.97%	$ 40,777,980	336,330	3.28%
Interest and dividend bearing liabilities and members' accounts						
Liabilities:						
Member federal funds purchased	$ -	$ -	-	$ 3,942,889	$ 9,885	1.00%
SIP/HARP borrowings	5,932,874	8,546	0.57%	-	-	-
NCUSIF borrowings	5,000,000	5,845	0.46%	-	-	-
Short-term borrowings	41,194	225	2.17%	15,089,899	55,827	1.47%
Notes payable	3,215,906	4,789	0.59%	36,076	608	6.70%
Total liabilities	14,189,974	19,405	0.54%	19,068,864	66,320	1.38%
Members' accounts:						
Members' share and certificate accounts	27,278,029	68,980	1.00%	20,652,294	174,984	3.37%
Total interest and dividend bearing liabilities and members' accounts	$ 41,468,003	88,385	0.85%	$ 39,721,158	241,304	2.42%
Net interest income		$ 12,685			$ 95,026	
Average interest rate spread			0.12%			0.86%
Net interest margin			0.12%			0.93%

Consolidated Fair Value Balance Sheet - December 31, 2009
(dollars in thousands)

	Carrying Value	Fair Value	Wtd. Avg. Life (in years)	Effective Duration
Assets				
Cash	$ 12,489,517	$ 12,489,517	-	-
Federal funds sold	138,722	138,722	0.003	0.001
Investment securities				
Agency debt	53,085	53,085	2.474	1.210
Agency RMBS	1,242,010	1,242,010	4.176	1.004
Non-agency RMBS	7,383,123	7,383,123	6.812	1.038
Asset-backed securities	10,016,711	10,016,711	2.854	0.058
Corporate bonds and notes	1,247,071	1,247,071	3.706	0.170
Common stock	16,646	16,646	70.000	-
	19,958,646	19,958,646	4.509	0.489
Loans	490,905	494,131	2.861	0.968
Stock of the Central Liquidity Facility (CLF) *	1,750,551	1,750,551	5.469	-
Other assets	246,584	246,584	-	-
Total assets	$ 35,074,925	$ 35,078,151	2.743	0.311
Liabilities and Members' Accounts				
Liabilities:				
SIP/HARP borrowings	$ 5,934,739	$ 5,933,270	0.085	0.042
NCUSIF borrowings	5,000,000	4,994,640	0.967	0.484
Short-term borrowings				
Borrowings under the U.S. Department of Treasury Tax and Loan Program	6	6	0.003	0.001
Other borrowings	30,392	30,415	0.022	0.011
	30,398	30,421	0.022	0.011
Notes payable	3,986,395	3,998,890	2.306	0.999
Other liabilities	258,515	258,515	-	-
Total liabilities	15,210,047	15,215,736	0.955	0.437
Members' share and certificate accounts				
Overnight accounts	10,770,239	10,770,239	0.003	0.001
Term floating-rate certificates	4,337,642	4,341,380	1.463	0.013
Term fixed-rate certificates	10,338,760	10,420,015	0.630	0.311
Structured certificates	1,092,518	1,090,315	1.126	0.638
Other shares	1,383	1,383	0.415	0.001
Total members' share and certificate accounts	26,540,542	26,623,332	0.532	0.150
Total liabilities and members' share and certificate accounts	$ 41,750,589	$ 41,839,068	0.373	0.188
Net Economic Value		$ (6,760,917)		

* Stock of the CLF is carried at cost as there is no readily determinable fair value.