

Kansas Corporate Monthly Membership Report

November 2011



Agenda

- Financial Review
 - October & YTD 2011 Results
 - 2011 Budget/Actual Net Income Graph
- Liquidity Update
 - Historical Member Overnight Deposits
- Interest Rate Risk | NEV Update – September 2011
- Capital Accumulation | Overview
- Board Action Items
- Supervisory Committee Action Items
- Credit Committee Action Items
- KCCU | TSCCU Merger Update
- December Calendar of Events



2011 Results

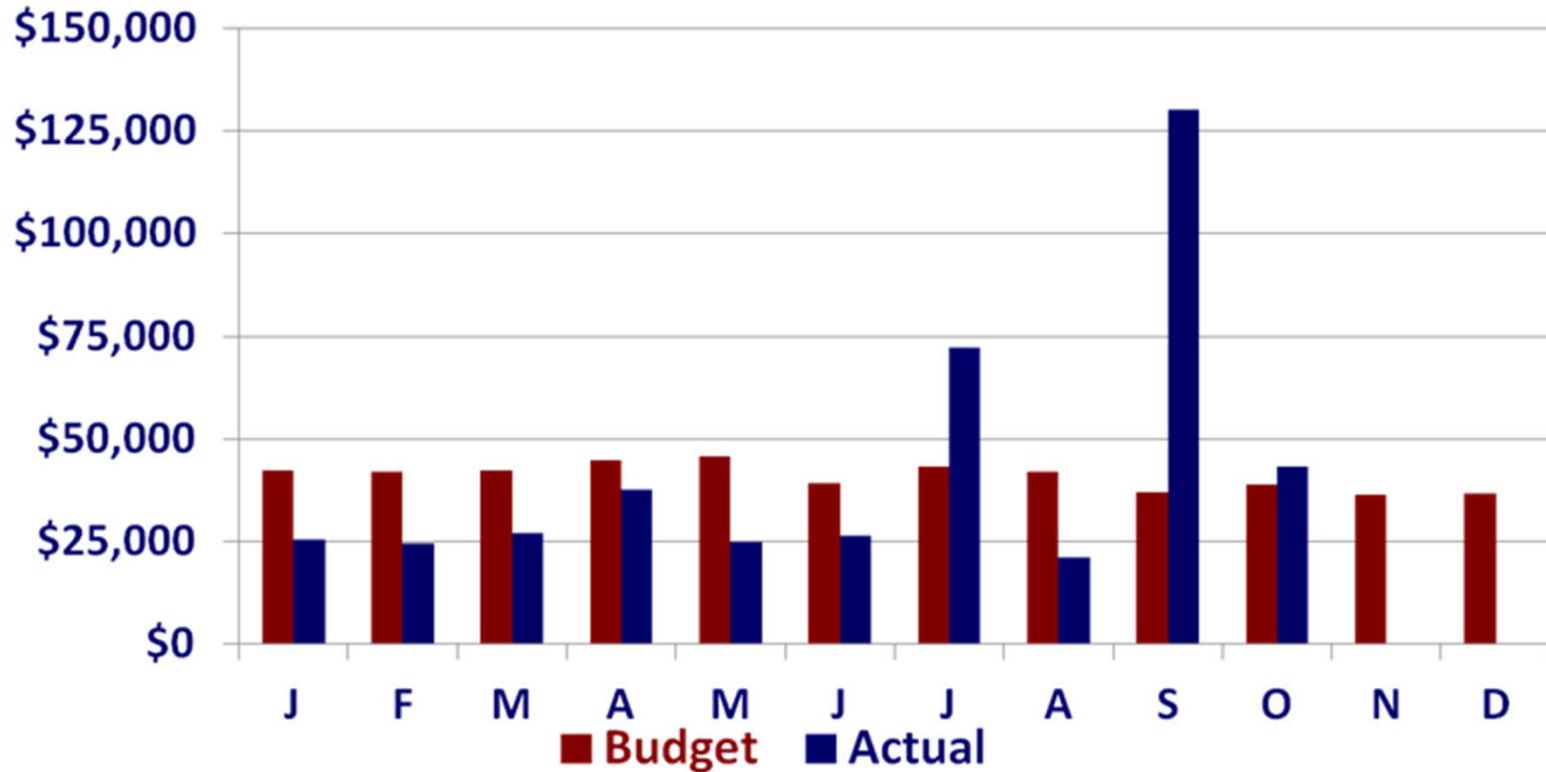
Kansas Corporate ended October 2011 with year-to-date Net Income of \$432,990. Year-to-date ROA is 14.1 basis points. Net Income for October was \$43,082, which was positively impacted by the strong commission revenue from marketable securities sales and greater than budgeted fee income from increased product usage.

Daily average net assets for the previous 12-month period are \$358.4 million, an increase of \$16.5 million since December 2010.

The new capital requirements for corporate credit unions became effective in October and Kansas Corporate ended the month with Retained Earnings of \$1,161,785, representing a Retained Earnings ratio of 0.32%.



2011 Budget/Actual Net Income



October 2011 - Year-to-Date Financial Results

<i>(In Thousands)</i>	Actual 2011	Budget 2011	Variance
Net Interest Income	\$832.9	\$905.4	(\$72.5)
+ Fee Income	\$1,858.5	\$1,731.1	+ \$127.4
- Operating Expenses	\$2,226.7	\$2,152.7	(\$74.0)
= Net Operating Income	\$464.7	\$483.8	(\$19.1)
+ Other Gains/Losses	\$34.2	\$0.0	+ \$34.2
- NCUSIF Premium	(\$63.2)	(\$64.0)	+ \$0.8
- PCC Dividends	\$2.7	\$2.4	(\$0.3)
= Net Income	\$433.0	\$417.4	+ \$15.6



Liquidity Update

Liquidity remains strong and continues to exceed our internal projections. Liquidity balances remain higher than the previous four years as shown on the next slide.

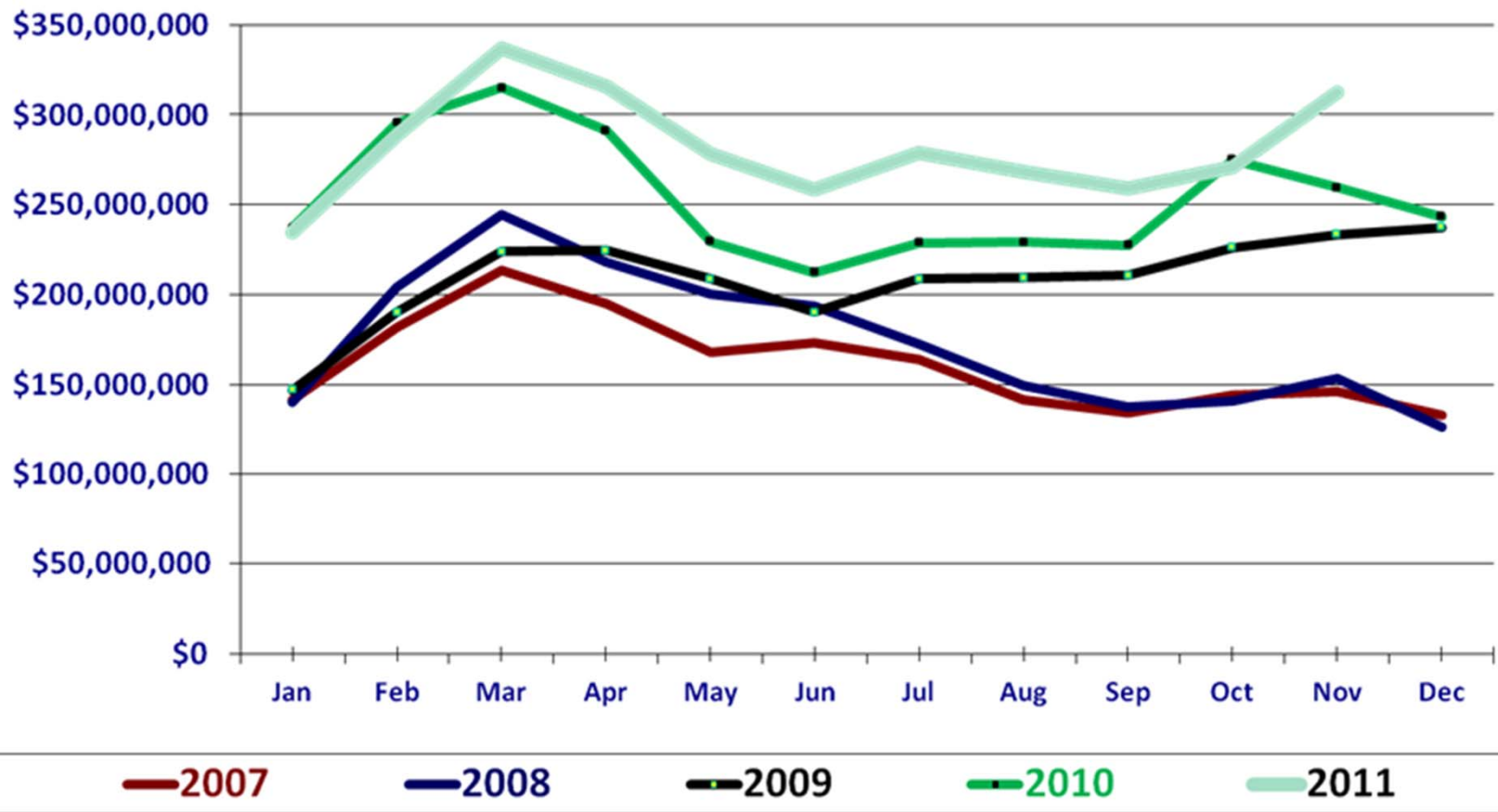
Current external liquidity sources of \$335.2 Million include:

- FHLB Collateralized LOC – \$137.2 Million
- TCCULGP – \$75 Million
- SunTrust Bank Advised LOC - \$10 Million
- Cross-Corporate Deposit Agreement – \$90 Million
- USC Bridge Advised LOC - \$23 Million

No external funding needs envisioned in the foreseeable future.



Historical Member Overnight Deposits



Interest Rate Risk – Net Economic Value (NEV)

NEV Testing Results – October 2011						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg Limits	Pass / Fail
Base Case	\$29,264,979	-	-	7.83%	Minimum Ratio: 3%	PASS
+ 300 bps increase in interest rates	\$27,233,676	(\$2,031,303)	(6.94%)	7.34%	Minimum Ratio: 3%	PASS
					Max % Change: (15%)	PASS

KCCU passes both the required minimum NEV ratio and the maximum change requirement in the +300 rate shock scenarios.



Capital Accumulation

- Increase to Retained Earnings during the past 12 months through October 2011 was \$528,375
- Retained Earnings ratio was 0.32% as of October 2011 versus 0.19% one year ago
- The capital ratios of the revised corporate credit union regulation became effective at the end of October 2011 – KCCU’s Interim Leverage Ratio was 8.10% and KCCU already meets the Permanent Leverage Ratio that will be effective in two years with a ratio of 6.14%
- **KCCU meets all new capital ratios and is considered “Well Capitalized”**



Capital Overview

<i>(In Thousands)</i>	October 2011	October 2010	Change
Retained Earnings	\$1,161.8	\$671.3	+ \$490.5
12-Month DANA	\$358,409.1	\$346,419.6	+ \$11,989.5
Ratios:			
Retained Earnings	0.324%	0.194%	+ 0.130%
Interim Leverage	8.101%	7.874%	+ 0.227%
Permanent Leverage (Effective Oct 2013)	6.137%	0.194%	+ 5.943%



November Board Action Items

Board of Director's Meeting – November 30, 2011

- Approved October 2011 Financial Statements and Committee Reports
- Approved the BSA/OFAC Audit which was completed by J. Tenbrink & Associates and no risk exposure points identified and no corrective actions recommended
- Received update from management on the following issues: status of recent merger activities with Treasure State Corporate Credit Union (TSCCU); update on the 2011 KDCU/NCUA joint examination which is in process; update on current PCC commitments; and a current status report regarding the future of USC Bridge payment systems/products
- The Board also set aside time for strategic discussions on various subjects



November Board Action Items Con't.

- Reviewed the financial results of our three CUSO investments
 - Primary Financial Company, LLC (SimpliCD) has accumulated net income of \$3,235,739 through the first nine months of 2011 and has equity of \$20.7 million, representing an equity ratio of 51.6% as of September 2011. KCCU has a \$100,000 investment in the CUSO.
 - CU Business Group, LLC, had net income of \$91,733 through the first nine months of the year and total equity of \$1.8 million, which represents an equity ratio of 74.1% as of September 2011. KCCU has a \$120,000 investment in the CUSO.
 - Ownership of CU Investment Solutions, LLC, (ISI) was transferred from being wholly-owned by US Central Bridge to a CUSO owned by ten corporate credit unions, including KCCU. In October 2011, the first month under the new ownership structure, ISI earned net income of \$142,030 and had total capital of \$1.8 million, which represents an equity ratio of 74.1%. KCCU has a \$100,000 investment in the CUSO.



November Supervisory Committee Action Items

Supervisory Committee Meeting – November 22, 2011

- Reviewed and accepted the internal audit of the Lending operations completed by J. Tenbrink & Associates. Audit reviewed the lending policies and ensured that the policy was being adhered to and no exceptions noted; reviewed twenty-five loan transactions over the past year to ensure all were settled, posted, recorded and within policy and no exceptions were noted; reviewed ten random loan files to ensure underwriting and all forms completed and one borrowing resolution was completed by the member but specific individuals authorized to borrow weren't listed. This issue has been corrected by management. Meeting minutes were reviewed to determine if committee actions had been carried out by management and no exceptions were noted.
- Provided with an update on the status of the 2011 joint examination currently being conducted by KCDU/NCUA.



November Credit Committee Action Items

Credit Committee Meeting – November 21, 2011

- Reviewed and approved twenty-seven advised lines-of-credit (LOC)
- Completed the semi-annual review of all outstanding advised LOCs
- Reviewed the internal audit of the Lending operations completed by J. Tenbrink & Associates
- Had a presentation from CUNA Economics & Research regarding the credit scoring system utilized in KCCU's LOC process
- Canceled 1 advised LOC
- KCCU currently has advised LOCs to 125 members amounting to \$206.2 million



KCCU & TSCCU Merger Plan Update

- Final Merger Plan completed in accordance with NCUA's Corporate Credit Union Merger Manual was submitted to NCUA on October 7th
- Final approval of Merger Plan received from appropriate state regulatory agencies
- NCUA approval process has longer timeline. The NCUA required on-site review was completed the week of November 7th. Eight federal examiners were on-site to complete the merger packet review.
- Currently on track to be addressed by the NCUA Board at their December meeting
- If approved by NCUA Board in December, merger will be effective January 1, 2012
- **To date, 46 TSCCU members have approved PCC investments in KCCU amounting to \$9.5 million**
- Weekly conference calls continue to be held with the operational staffs of both corporates and progress is being made on the operational merger plan



December 2011

Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
28	29 Contingency Test	30 Contingency Test Board Meeting ALCO Meeting	1 KCCU & TSCCU – Joint Operations Call	2
5	6	7 LT – Weekly Development Call	8 KCCU & TSCCU – Joint Operations Call	9
12 KDCU NCUA Exam	13 KDCU NCUA Exam FOMC Rate Decision	14 KDCU NCUA Exam LT – Weekly Development Call NCUA Board Meeting - Closed	15 KDCU NCUA Exam KCCU & TSCCU – Joint Operations Call NCUA Board Meeting - Open	16 KDCU NCUA Exam
19	20 MemServe Manager's Meeting	21 Board Meeting ALCO Meeting LT – Weekly Development Call	22 KCCU & TSCCU – Joint Operations Call	23
26 Christmas Observed – KCCU Office Closed	27 Supervisory Committee Meeting	28 LT – Weekly Development Call	29 KCCU & TSCCU – Joint Operations Call	30