

# **Kansas Corporate Monthly Membership Report**

**December 2011**



# Agenda

- Financial Review
  - November and YTD 2011 Results
  - 2011 Budget/Actual Net Income Graph
- Liquidity Update
  - Historical Member Overnight Deposits
- Interest Rate Risk/NEV Update – October 2011
- Capital Accumulation/Overview
- Board Action Items
- Supervisory Committee Action Items
- KCCU/TSCCU Merger Update
  - NCUA Merger Approval Letter
- January 2012 Calendar of Events



# 2011 Results

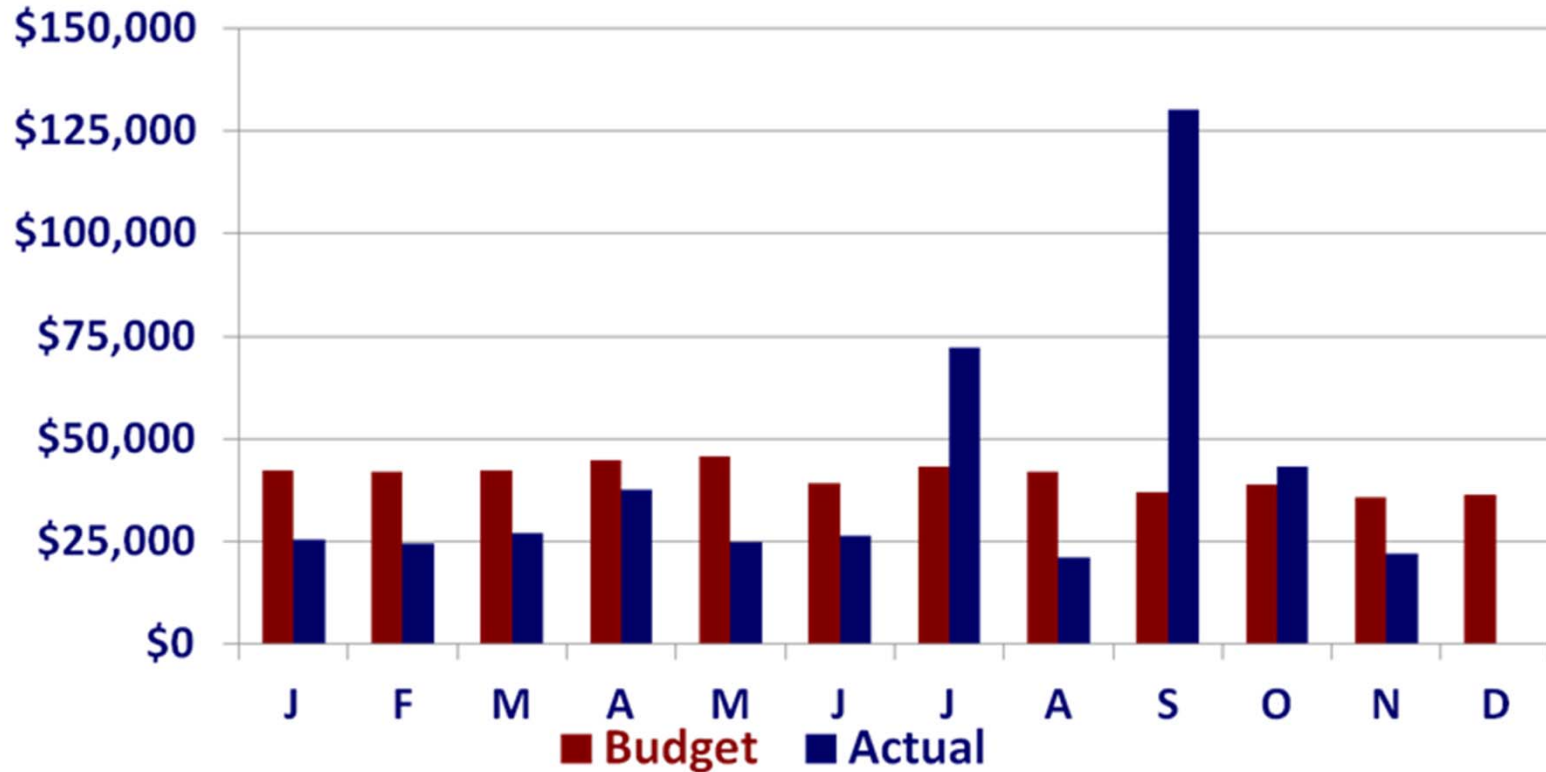
Kansas Corporate ended November 2011 with year-to-date Net Income of \$454,933. Year-to-date ROA is 13.5 basis points. Net Income for November was \$21,945, which was negatively impacted by lower commission revenue from marketable securities sales for the month. Year-to-date actual Net Income exceeds budgeted Net Income by \$1,700.

Daily average net assets for the previous 12-month period are \$372.5 million, an increase of \$30.5 million since December 2010.

Kansas Corporate exceeds the minimum for all capital ratios under the new regulation and ended the month with Retained Earnings of \$1,183,730, representing a Retained Earnings ratio of 0.32%.



# 2011 Budget/Actual Net Income



# November 2011 - Year-to-Date Financial Results

<i>(In Thousands)</i>	<b>Actual 2011</b>	<b>Budget 2011</b>	<b>Variance</b>
Net Interest Income	\$926.3	\$992.1	(\$65.8)
+ Fee Income	\$2,024.8	\$1,904.8	+ \$120.0
- Operating Expenses	(\$2,461.9)	(\$2,368.6)	(\$93.3)
= Net Operating Income	\$489.2	\$528.3	(\$39.1)
+ Other Gains/Losses	\$34.2	\$0.0	+ \$34.2
- NCUSIF Premium	(\$63.2)	(\$70.4)	+ \$7.2
- PCC Dividends	(\$5.3)	(\$4.7)	(\$0.6)
= Net Income	\$454.9	\$453.2	+ \$1.7



# Liquidity Update

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

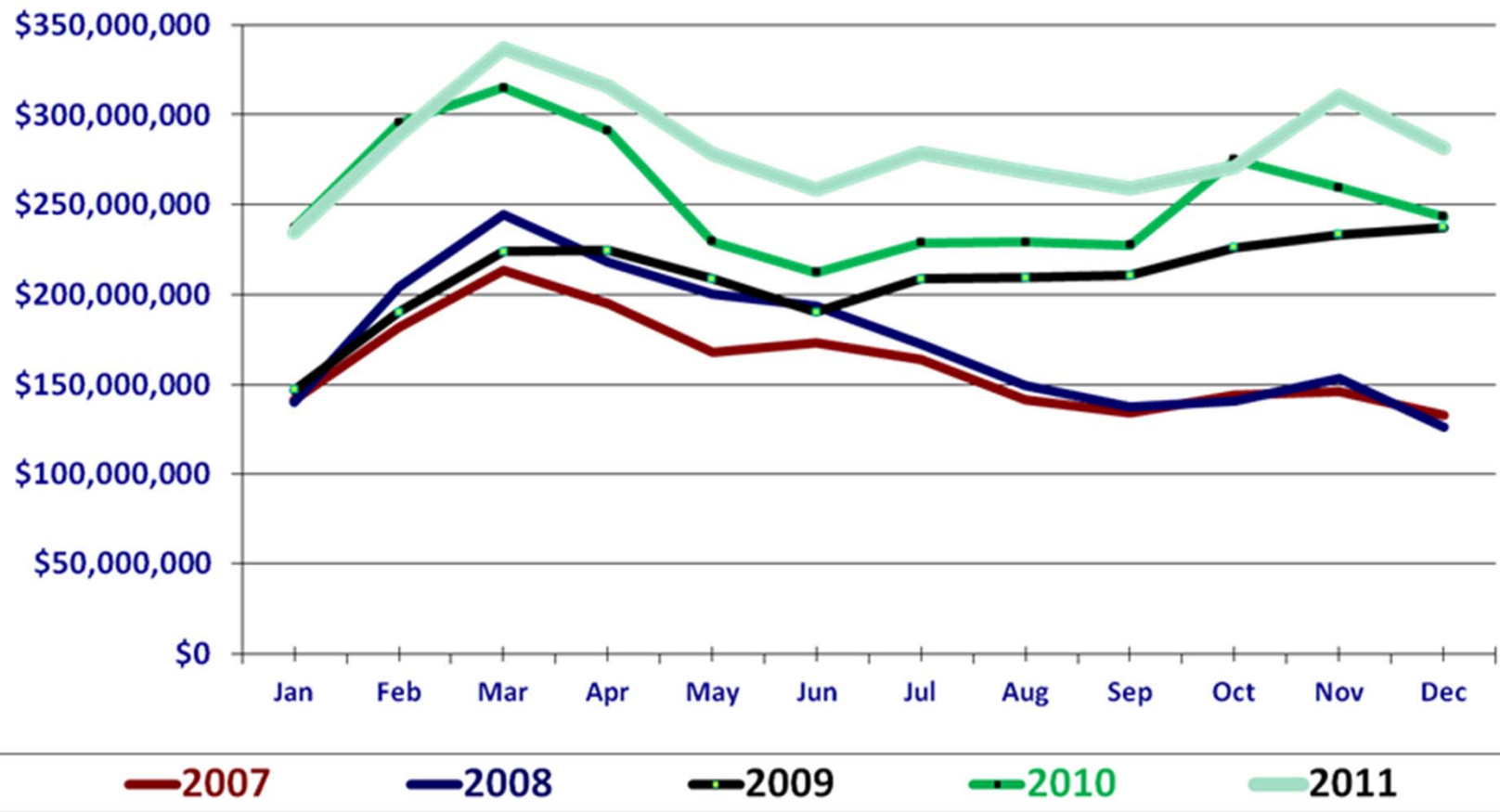
Current external liquidity sources of \$345.5 Million include:

- FHLB Collateralized LOC – \$147.5 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%	<b>PASS</b>
+ 300 bps increase in interest rates	\$27,233,676	(\$2,031,303)	(6.94%)	7.34%	Minimum Ratio: 3% Max % Change: (15%)	<b>PASS</b>

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 November 2011 was \$486,849
- Retained Earnings ratio was 0.32% as of November 2011 versus 0.20% one year ago
- New capital ratios of the revised corporate credit union regulation – Kansas Corporate November 2011 capital ratios – minimum regulatory requirements
  - Interim Leverage Ratio | 7.64% | Minimum Requirement = 4.00%
  - Tier 1 Risk-Based Capital Ratio | 65.27% | Minimum Requirement = 4.00%
  - Tier 2 Risk-Based Capital Ratio | 85.15% | Minimum Requirement = 8.00%



# Capital Overview

<i>(In Thousands)</i>	<b>Nov 2011</b>	<b>Nov 2010</b>	<b>Change</b>
Retained Earnings	<b>\$1,183.7</b>	\$696.9	+ \$486.8
12-Month DANA	<b>\$372,462.3</b>	\$345,757.3	+ \$26,705.0
Ratios:			
Retained Earnings	<b>0.32%</b>	0.20%	+ 0.12%
Interim Leverage	<b>7.64%</b>	7.82%	(0.18%)
Permanent Leverage (Effective Oct 2013)	<b>5.86%</b>	0.20%	+ 5.66%

# December Board Action Items

## Board of Director's Meeting – December 21, 2011

- Approved November 2011 Financial Statements and Committee Reports
- Discussed future governance representation and asked management to draft proposed bylaw revisions for review at the January 2012 meeting
- Received update from management on the following issues: status of recent merger activities with Treasure State Corporate Credit Union (TSCCU); 2011 KDCU/NCUA joint examination which was in process; current PCC commitments; status report regarding the future of USC Bridge payment systems/products
- In regards to recent announcement about USC Bridge services being phased out, Kansas Corporate has already converted all current members off APEX-ACH to coreCONNECT. TSCCU members utilizing APEX-ACH will be converted prior to mid-year 2012. Kansas Corporate has signed agreements with Travelex for international services that will be implemented when our front-end is released by end of first quarter 2012. Security Safekeeping services will be moved to a selected vendor in April 2012. Those are the last remaining USC Bridge services currently utilized by KCCU.



# December Supervisory Committee Action Items

## Supervisory Committee Meeting – December 27, 2011

- Reviewed and accepted the internal audit of the Wire Transfer operations completed by J. Tenbrink & Associates. Audit reviewed the following items:
  - Wire transfer procedures to identify potential weaknesses - no exceptions noted
  - Selected ten random wire transfers greater than a certain dollar amount to ensure that call back verification was performed, OFAC compliance and potential matches weren't valid, ensure that user input and verified wire was authorized per agreements on file, and listened to recorded calls to ensure staff was following all security procedures - no exceptions noted in any of these areas
  - Reconciled selected wire activity for two different periods in past year to the Federal Reserve Bank (FRB) account - no exceptions were noted
  - Reviewed FRB's Password Practice Statement and verified that KCCU employees are in compliance with its requirements - no exceptions were noted
  - Reviewed the FRB Monitoring and Control Guidelines for Fedline Advantage to ensure compliance and didn't identify any noncompliance issues
- Reviewed various proposals for insurance and bond coverages provided by Lockton Companies (KCCU's insurance broker) and approved coverages for 2012



# December Supervisory Committee Action Items

## Supervisory Committee Meeting – December 27, 2011

- Reviewed the written results of the 2011 Contingency Test conducted on November 29 – 30, 2011, and staff recommendations for plan improvements. Approved the results as a good faith test of Kansas Corporate's Contingency Plan.
- Reviewed and approved the 2012 Internal Audit Schedule and instructed management to prepare in conjunction with the Supervisory Committee an updated risk assessment and ranking of Kansas Corporate's high-risk areas.



# KCCU & TSCCU Merger Plan Update

- NCUA Board approved the Proposed Merger Plan at their closed meeting on December 14<sup>th</sup> (See NCUA Approval Letter)
- Approval of Proposed Merger Plan had previously been received from the appropriate state regulatory agencies and both memberships
- Merger effective January 1, 2012
- **To date, 50 TSCCU members have approved a PCC investment in KCCU amounting to \$10.3 million in PCC investments**
- Weekly conference calls continue to be held with the operational staffs of both corporates and a mock merger exercise was successfully completed the evening of December 6, 2011, that followed the Merger Work Plan
- Two webcasts were held for TSCCU members in December to review anticipated operational changes due to the merger





National Credit Union Administration

December 14, 2011

Larry Eisenhauer, Manager/CEO  
Kansas Corporate Credit Union  
8615 West Frazier  
Wichita, KS 67212

Dear Mr. Eisenhauer:

The National Credit Union Administration Board (NCUAB) approved your application to merge Treasure State Corporate Credit Union with Kansas Corporate Credit Union (Kansas). Kansas will be the continuing corporate credit union.

You may proceed with the merger process. The merger should be completed within four months of this letter's date. If that timeframe cannot be met, or should you have additional questions on the merger process, please contact Office of Corporate Credit Unions Director Scott Hunt at (703) 518-6640.

Sincerely,

A handwritten signature in cursive script that reads 'Mary Rupp'.

Mary Rupp  
Secretary of the Board

cc: Steven Howke, CEO, Treasure State Corporate CU  
Kansas Department of Credit Unions  
Montana Division of Banking and Financial Institutions

# January 2012

## Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
<p>2</p> <p>KCCU   TSCCU Merger – January 1, 2012 Office Closed – New Year's Day Observed</p>	<p>3</p>	<p>4</p> <p>LT Weekly Development Call</p>	<p>5</p> <p>Joint Operations Call – KS &amp; MT Offices</p>	<p>6</p>
<p>9</p>	<p>10</p> <p>Jam the Unicam – Lincoln, NE</p>	<p>11</p> <p>LT Weekly Development Call</p>	<p>12</p> <p>Joint Operations Call – KS &amp; MT Offices</p>	<p>13</p>
<p>16</p> <p>Office Closed – Martin Luther King, Jr. Day</p>	<p>17</p>	<p>18</p> <p>LT Weekly Development Call</p>	<p>19</p> <p>Joint Operations Call – KS &amp; MT Offices</p>	<p>20</p>
<p>23</p>	<p>24</p> <p>Supervisory Committee Meeting</p>	<p>25</p> <p>LT Weekly Development Call</p>	<p>26</p> <p>Joint Operations Call – KS &amp; MT Offices</p>	<p>27</p>
<p>30</p>	<p>31</p> <p>ALCO Meeting Board Meeting</p>	<p>1</p> <p>LT Weekly Development Call</p>	<p>2</p> <p>Joint Operations Call – KS &amp; MT Offices</p>	<p>3</p>