

Kansas Corporate Monthly Membership Report

May 2011



Agenda

- Financial Review
 - April 2011 Results
 - 2011 Budget/Actual Net Income Graph
- Liquidity Update
 - Historical Member Overnight Deposits
- Interest Rate Risk/NEV Update – April 2011
- Capital Accumulation/Overview
- Board Action Items
- Supervisory Committee Action Items
- Credit Committee Action Items
- Business Model/Plan Update
- KCCU/TSCCU Merger Update
- June Calendar of Events



2011 Results

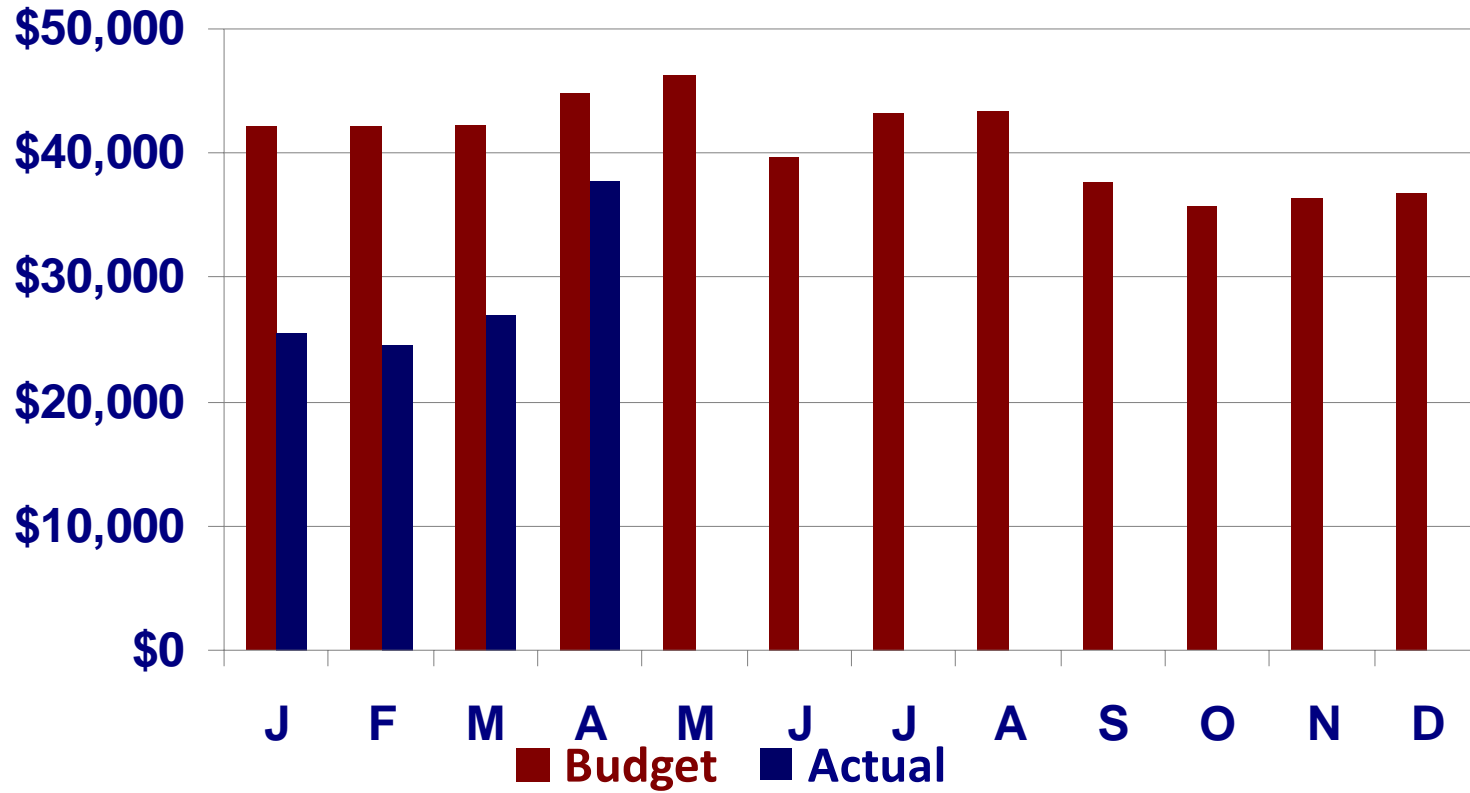
Kansas Corporate ended April 2011 with year-to-date Net Income of \$114,968. Net Income was less than budgeted due primarily to lower net interest income. Net interest income is lower due to lower than budgeted fed funds effective and Libor rates which have negatively impacted the return on overnight and floating rate assets.

Daily average net assets for the previous 12-month period increased to \$345.1 Million, an increase of \$2.3 Million from the prior month.

As of April 2011, Kansas Corporate had Retained Earnings of \$843,761 representing a Retained Earnings ratio of 0.24% and a Total Capital ratio of 7.83%.



2011 Budget/Actual Net Income



Liquidity Update

Liquidity remains strong and continues to exceed our internal projections, but there was a decline in the average overnight deposits reflecting historical trends. The liquidity balances are still higher than in previous years as shown in the attached graph.

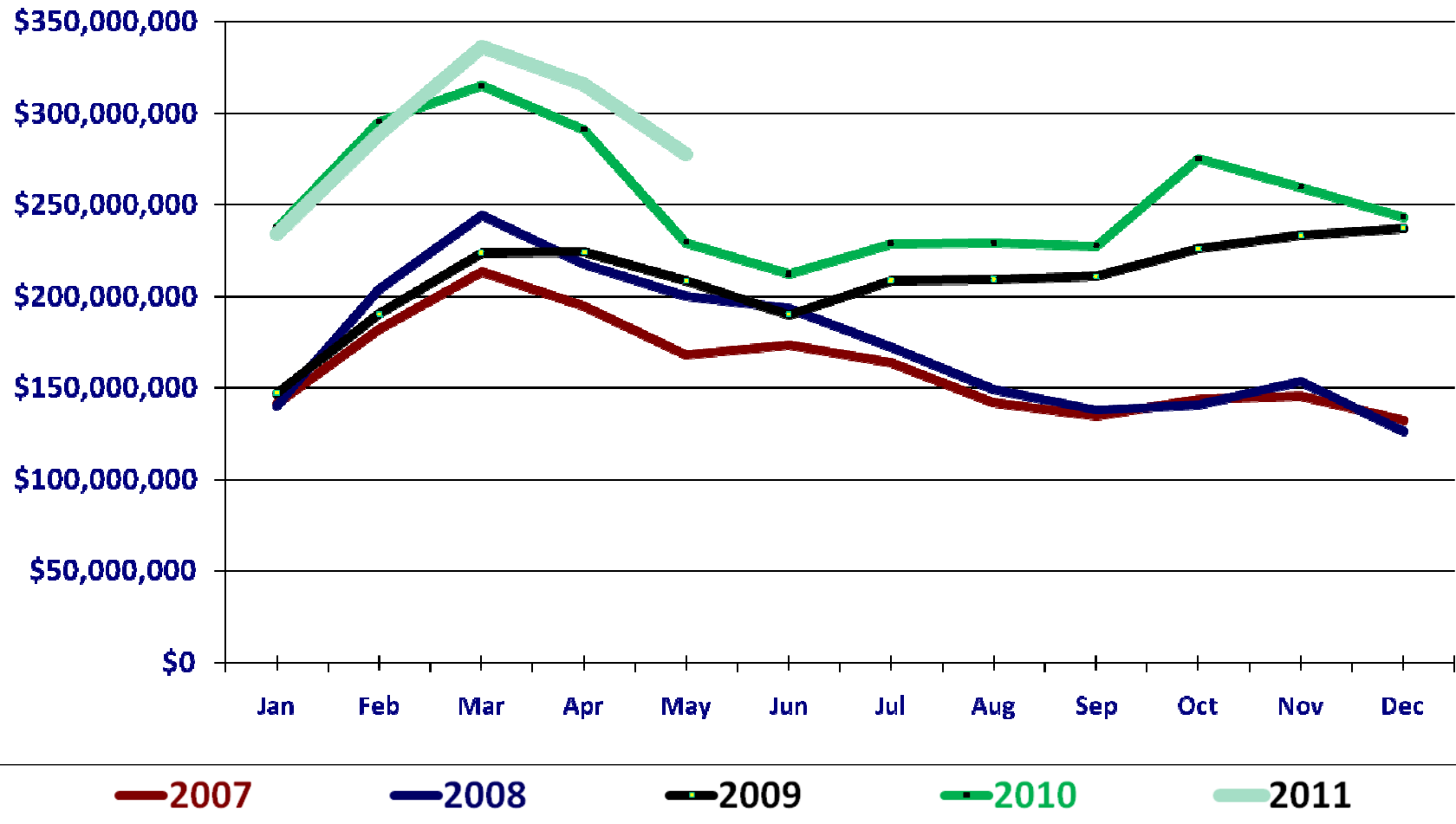
Current external liquidity sources of \$324 Million include:

- FHLB Collateralized LOC – \$101 Million
- TCCULGP – \$75 Million
- SunTrust Bank Advised LOC - \$10 Million
- Cross-Corporate Deposit Agreement – \$90 Million
- USC Advised LOC - \$48 Million

No external funding needs envisioned in the foreseeable future.



Historical Member Overnight Deposits



Interest Rate Risk – Net Economic Value (NEV)

NEV Testing Results – April 2011						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg Limits	Pass / Fail
Base Case	\$27,143,318	-	-	6.64%	Minimum Ratio: 3%	PASS
+ 300 bps increase in interest rates	\$24,800,145	(\$2,343,174)	(8.63%)	6.11%	Minimum Ratio: 3% Max % Change: (15%)	PASS

KCCU remains one of about half of the corporate credit unions that pass both the required minimum NEV ratio and the maximum change requirement in the +300 rate shock scenarios. This testing requirement remains the same in the final corporate Rule approved by the NCUA Board and all corporate credit unions must be compliant by October 2011.



Capital Accumulation

- Increase to Retained Earnings during the past 12 months through April 2011 was \$412,738
- Retained Earnings ratio was 0.24% as of April 2011 versus 0.12% one year ago
- Based upon the latest call report data from February 2011, KCCU had the 10th highest Retained Earnings ratio and the 3rd highest Total Capital ratio for all corporate credit unions



Capital Overview

<i>(In Thousands)</i>	April 2011	April 2010	Change
Retained Earnings	\$843.8	\$431.0	+ \$412.8
12-Month DANA	\$345,132.2	\$372,621.7	(\$27,489.5)
Ratios:			
Retained Earnings	0.24%	0.12%	+ 0.12%
Core Capital	0.24%	0.12%	+ 0.12%
Total Capital	7.83%	7.35%	+ 0.48%



May Board Action Items

Board of Director's Meeting – May 25, 2011

- Approved April 2011 Financial Statements and Committee Reports
- Approved March 2011 Net Economic Value Report
- Reviewed the March 2011 Financials for our two CUSO Investments
 - Primary Financial, which provides our SimpliCD product, reported Net Income of \$1.2 Million for the quarter. Total Assets were \$41.8 Million and Total Member Equity was \$18.9 Million. KCCU's ownership percentage increased from 1.68% to 2.41% due to the redemption of outstanding units owned by the conserved corporate credit unions. KCCU's investment in Primary Financial is \$100,000.
 - CU Business Group (CUBG), which provides business services to our members, reported Net Income of \$14,857 for the quarter. Total Assets were \$2.3 Million and Total Equity was \$1.7 Million for an equity/asset ratio of 75%. During the first quarter Business Services was approved by the NCUA as an approved corporate CUSO activity. KCCU's investment in CUBG is \$120,000.



May Board Action Items - con't.

- Approved KCCU's Business Recovery Plan which had been revised based upon recommendations from a previous internal audit and the results of the 2011 Business Impact Analysis.
- Received an update from KCCU management on progress/developments on the merger with Treasure State Corporate Credit Union.



Supervisory Committee Action Items

Supervisory Committee Meeting – May 24, 2011

- Elected Jacque Cully, President/CEO of Central Kansas Credit Union, Committee Chair
- Received verbal updates regarding the on-going IT Internal Audit and Reconciliations Internal Audit
- Reviewed and approved the 2011 Business Impact Analysis (BIA) including the recommended risk reduction strategies
- Reviewed and recommended approval to the KCCU Board of the revised Business Recovery Plan which was based upon the results of the 2011 BIA and addressed all recommendations from a previous Internal Audit of the plan.



Credit Committee Action Items

Credit Committee Meeting – May 26, 2011

- Elected Paul Meissner, CFO of Credit Union of America, Committee Chair
- Reviewed and approved 18 member advised lines of credit including 2 new advised lines
- Completed the semi-annual review of all current outstanding lines of credit
- Canceled one advised line of credit at the request of the member
- Scheduled next committee meeting – August 9, 2011



Business Model/Plan Update

- Formal Perpetual Contributed Capital (PCC) offering documents sent to all current capitalized KCCU members the week of May 16th and to all other members May 27th.
- In less than 2 weeks, have received confirmed commitments from members of over \$6.8 Million in PCC purchases.
- In addition to receipt of the commitments from current capitalized members, verbal PCC commitments have been received from 8 NE credit unions and 1 CO credit union.
- KCCU is asking members to sign binding commitment letters indicating their intent to purchase PCC by July 31, 2011.
- PCC investment transactions will occur September 30, 2011.
- KCCU staff has been meeting with many members and their boards to answer questions about the new Business Model/Plan and the PCC investment. KCCU staff is always available to attend any member board meeting or answer questions.



KCCU & TSCCU Merger Plan Update

- KCCU's Business Plan has been provided to all Treasure State Corporate CU (TSCCU) members and webinar held May 5th to review plan.
- Weekly conference calls are being held with the operational staffs of both corporates and an operational merger plan with key tasks and assignments with target dates for completion has been developed.
- Meeting with Symitar to discuss and agree on a favorable resolution of the remaining term of TSCCU's core processing agreement.
- Meeting with Federal Reserve Bank management to discuss impact of merger on operations and pleased with information received that merger impact of both operations will be less complicated than originally thought.



KCCU & TSCCU Merger Plan Update con't.

- Meeting with CUSource, LLC, Montana CUSO that provides item processing for credit unions, to discuss future settlement. Pleased to learn impact will be minimal.
- NCUA released a Corporate Credit Union Merger Manual May 17th, 2011.
- Working on Merger Plan to present to the boards of both corporates in the first half of June.



June 2011

Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
30 Memorial Day – OFFICE CLOSED	31	1 ALCO Meeting	2 NCUL Annual Meeting & Convention Staff Meeting KCCU & TSCCU – Joint Operations Call	3 NCUL Annual Meeting & Convention
6	7	8	9 KCCU & TSCCU – Joint Operations Call	10
13	14	15	16 Staff Meeting KCCU & TSCCU – Joint Operations Call	17
20	21 FOMC Meeting	22 Board Meeting ALCO Meeting	23 KCCU & TSCCU – Joint Operations Call	24
27	28 Supervisory Committee Meeting	29	30 KCCU & TSCCU – Joint Operations Call	1