

Kansas Corporate Monthly Membership Report

September 2011



Agenda

- Financial Review
 - August 2011 Results
 - 2011 Budget/Actual Net Income Graph
- Liquidity Update
- Historical Member Overnight Deposits
- Interest Rate Risk/NEV Update – August 2011
- Capital Accumulation/Overview
- Board Action Items
- Business Model/Plan Update – PCC Commitments
- KCCU/TSCCU Merger Update
- coreCONNECT Update
- CU Investment Solutions, Inc. (ISI) Update
- October Calendar of Events



2011 Results

Kansas Corporate ended August 2011 with year-to-date Net Income of \$259,725. Net Income for August was \$21,191, which was negatively impacted by the lower interest rate environment on the net interest income and lower fee income due to the reimbursement of pass-through fees previously charged incorrectly by Corporate Network eCom.

Year-to-date Net Income is still below budget and management continues to make necessary adjustments to meet budgeted Net Income for the year. In September, KCCU entered into a short-term partnership with another corporate credit union to serve as the Excess Balance Account (EBA) agent for their members. This partnership has allowed KCCU to earn additional fee income of approximately \$115,000 for the month which will aid KCCU in meeting 2011 budgeted income targets.



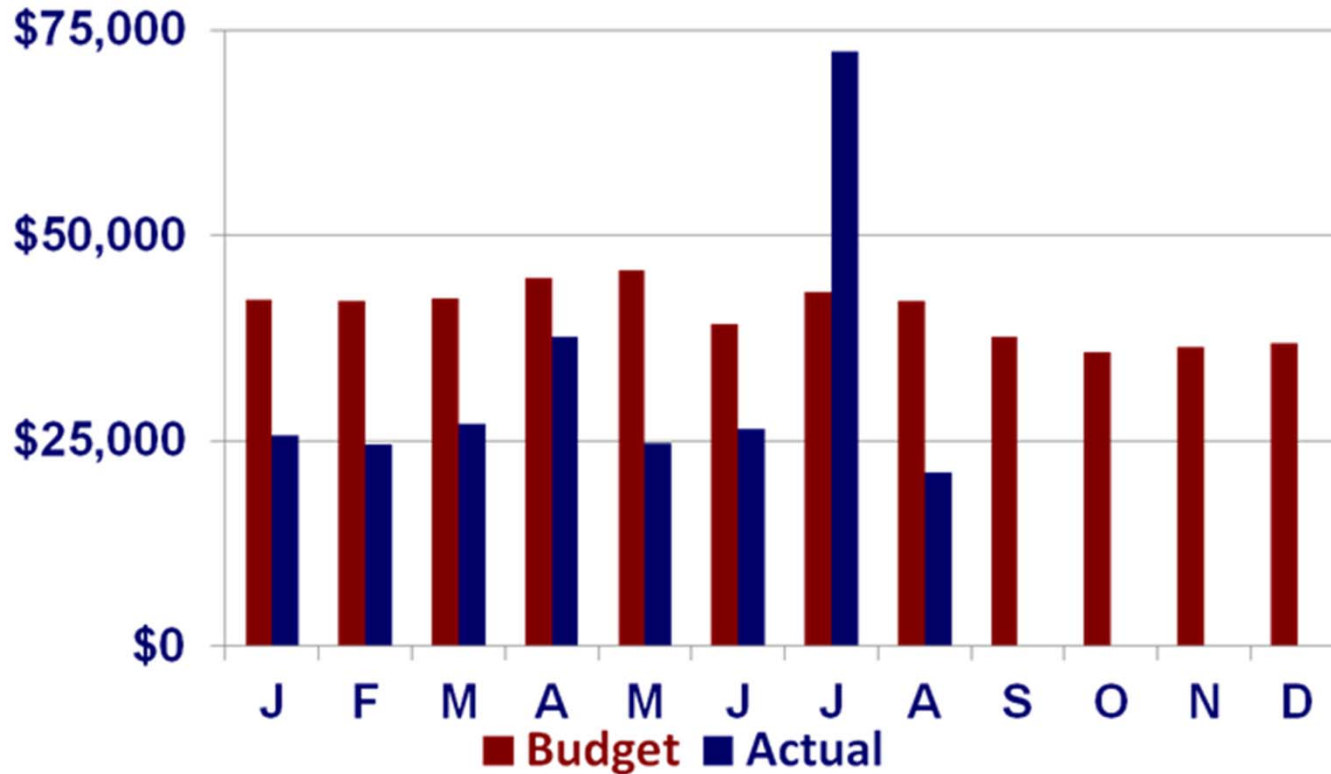
2011 Results

Daily average net assets for the previous 12-month period increased to \$361.2 Million, an increase of \$2.9 Million from the prior month and \$19.3 Million since December 2010.

As of August 2011, Kansas Corporate had Retained Earnings of \$988,519 representing a Retained Earnings ratio of 0.27% and a Total Capital ratio of 7.45%.



2011 Budget/Actual Net Income



Liquidity Update

Liquidity remains strong and continues to exceed our internal projections remaining higher than normal during August and September when historically overnight balances have declined. The liquidity balances are higher than in the previous four years as show on the graph following this slide.

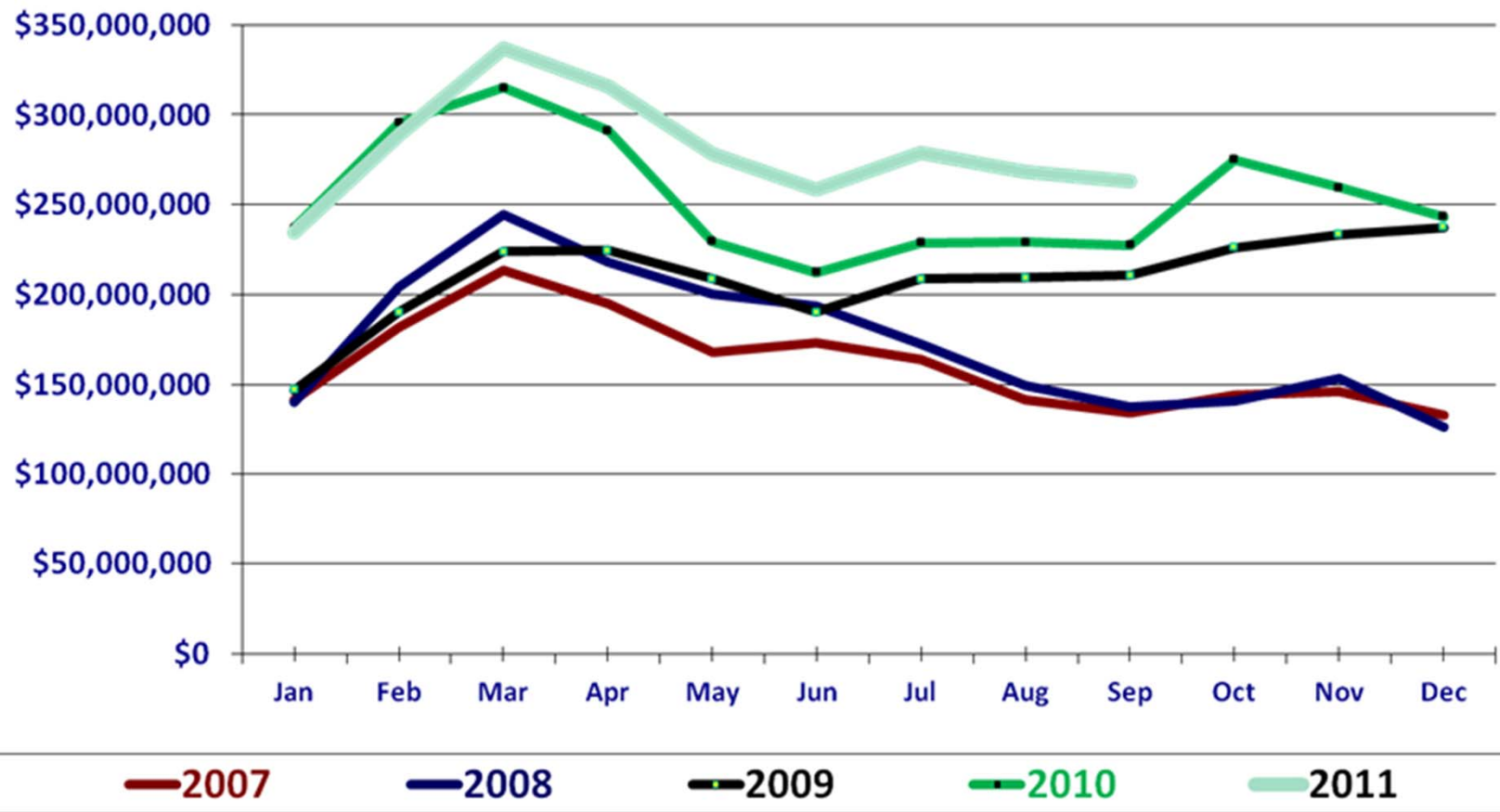
Current external liquidity sources of \$342.2 Million include:

- 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 - \$30 Million

No external funding needs envisioned in the foreseeable future.



Historical Member Overnight Deposits



Interest Rate Risk – Net Economic Value (NEV)

NEV Testing Results – August 2011						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg Limits	Pass / Fail
Base Case	\$26,743,051	-	-	8.43%	Minimum Ratio: 3%	PASS
+ 300 bps increase in interest rates	\$23,749,186	(\$2,993,865)	(11.20%)	7.57%	Minimum Ratio: 3% Max % Change: (15%)	PASS

KCCU passes 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 August 2011 was \$387,678
- Retained Earnings ratio was 0.27% as of August 2011 versus 0.17% one year ago



Capital Overview

<i>(In Thousands)</i>	August 2011	August 2010	Change
Retained Earnings	\$988.5	\$600.8	+ \$387.7
12-Month DANA	\$361,202.0	\$350,506.2	+ \$10,695.8
Ratios:			
Retained Earnings	0.27%	0.17%	+ 0.10%
Core Capital	0.27%	0.17%	+ 0.10%
Total Capital	7.45%	7.79%	(0.34%)

September Board Action Items

Board of Director's Meeting – September 21, 2011

- Approved August 2011 Financial Statements and Committee Reports
- Authorized KCCU management to exercise the option provided by NCUA of restarting a new 12-month daily average net asset calculation beginning October 1, 2011
- Approved a revision to the Approved Broker/Dealer section of KCCU's Investment Policy which removed Citigroup, Inc. and added KGS – Alpha Capital Markets
- Received update from management on the following issues: recent merger activities with Treasure State Corporate Credit Union (TSCCU); beta-testing results of new ACH system; conversion timeline for all ACH users and front-end system to Lending Tools system; current PCC commitments; current status regarding the future of USC Bridge payment systems/products; and an update on the EBA partnership



Business Model/Plan Update – PCC Commitments

- Formal Perpetual Contributed Capital (PCC) Offering documents sent to all current capitalized KCCU members' in mid-May and potential capitalized members in late-May. Requested members sign binding commitment letters indicating their intent to purchase PCC by July 31st.
- **As of September 26th, KCCU has received confirmed commitments from 121 members representing over \$20.8 million in PCC purchases, exceeding the minimum requested amount of PCC**
- PCC investment transactions will occur on September 30, 2011, for all current members
- KCCU staff have been, and will continue as needed, to meet with members and their boards to answer questions about the new Business Model/Plan and the PCC investment



KCCU & TSCCU Merger Plan Update

- In August, both memberships approved the Proposed Merger
- The Final Merger Plan will be submitted to NCUA by the end of September in hopes for it to be on the NCUA Board agenda in either November or December 2011
- KCCU Perpetual Contributed Capital (PCC) Informational Packets were sent to all TSCCU members the first of September asking for PCC commitments by November 15, 2011
- Since that time, 25 TSCCU members have approved PCC investments in KCCU amounting to approximately \$5.1 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 as key tasks are completed by their scheduled completion dates.



coreCONNECT Update

- KCCU partnered with LendingTools.com (LT) to provide a new enhanced single sign-on platform, coreCONNECT, to replace Corporate Explorer, APEX-ACH, and InterLink
- KCCU staff has been working with LT to develop the new front-end that also provides heightened security through biometric authentication
- The first phase in the roll-out of coreCONNECT was the APEX-ACH piece. Nine credit unions graciously served in a Beta Test Group to test the system prior to full release. Training and testing took place in early September 2011.



coreCONNECT Update

- Beta Test credit unions ran parallel for 2 days beginning September 12, 2011, and went live on the system September 14, 2011
- The remaining ACH users underwent coreCONNECT ACH training this past week and are scheduled to go live with the new system October 17, 2011
- The front-end piece to replace Corporate Explorer is still under development. Credit unions will be notified well in advance of the completion and roll-out to provide necessary time for system education and training.



CU Investment Solutions, Inc. Update

- KCCU utilizes CU Investment Solutions, Inc. (ISI) to provide brokerage services to member credit unions. ISI is a wholly-owned CUSO of US Central Bridge FCU.
- In accordance with our approved business plan, KCCU has been an active participant in a group of interested corporate credit unions to purchase ISI from US Central Bridge FCU to provide continued brokerage services to members.
- Effective September 30, 2011, ten corporate credit unions (including KCCU) purchased ownership of ISI, allowing for the continuation of brokerage services to over 800 credit unions, including approximately 50 of our own members, that have accounts with ISI and utilize their services.



CU Investment Solutions, Inc. Update

- KCCU's capital investment in the CUSO to purchase ISI was \$100,000
- KCCU will have a representative on the 5-person Board of Managers of the corporate-owned CUSO
- KCCU now owns 3 CUSO investments amounting to \$320,000 as listed below...
 - Primary Financial (SimpliCD) - \$100,000
 - CU Business Group - \$120,000
 - ISI Brokerage - \$100,000
- Through September 2011, KCCU's licensed ISI agents have completed 462 trades for \$296.6 million in investments – already exceeding our prior year record in 2010 when we completed 414 trades for \$289 million



October 2011

Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
3	4	5 LT – Weekly Development Call	6 Staff Meeting KCCU & TSCCU – Joint Operations Call	7
10 Columbus Day – KCCU Office Closed	11	12 LT – Weekly Development Call	13 KCCU & TSCCU – Joint Operations Call	14
17 coreCONNECT ACH - LIVE	18	19 LT – Weekly Development Call MemServe Annual Meeting Lunch & Learn – Idaho Credit Union League	20 KCCU & TSCCU – Joint Operations Call	21
24	25 Supervisory Committee Meeting	26 LT – Weekly Development Call Board Meeting ALCO Meeting	27 KCCU & TSCCU – Joint Operations Call	28
31	1	2 LT – Weekly Development Call	3 Staff Meeting KCCU & TSCCU – Joint Operations Call	4