



# Membership Report | September 2017

# Agenda

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- Financial Commentary
  - 2017 Budget/Actual Net Income
  - Actual/Budget Variance
  - Total Managed Assets – On- & Off-Balance Sheet
- Liquidity Commentary
  - Historical Member Overnight Deposits
  - 2017 Average Monthly Member Borrowings
- Capital Commentary
- Interest Rate Risk/Net Economic Value Report – July 2017
- Board Meeting Recap
- Strategic Planning Session Recap



## Financial Commentary

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Net Income for August was \$252,404, above budget by \$67,940 or 36.8% for the month. Net interest income was higher than budget due to higher return on assets. Non-interest income was 3.1% higher than budget for the month. Operating expenses were \$4,354 and -0.9% lower than budget. CUSO gain is higher than budget by \$5,701 and we had a gain of \$15,233 on the disposition of marketable securities. PCC dividends were slightly higher than budget. The year-to-date coverage ratio (fee income/operating expenses) is 79.2% which exceeds the 2017 goal of 75.2%.

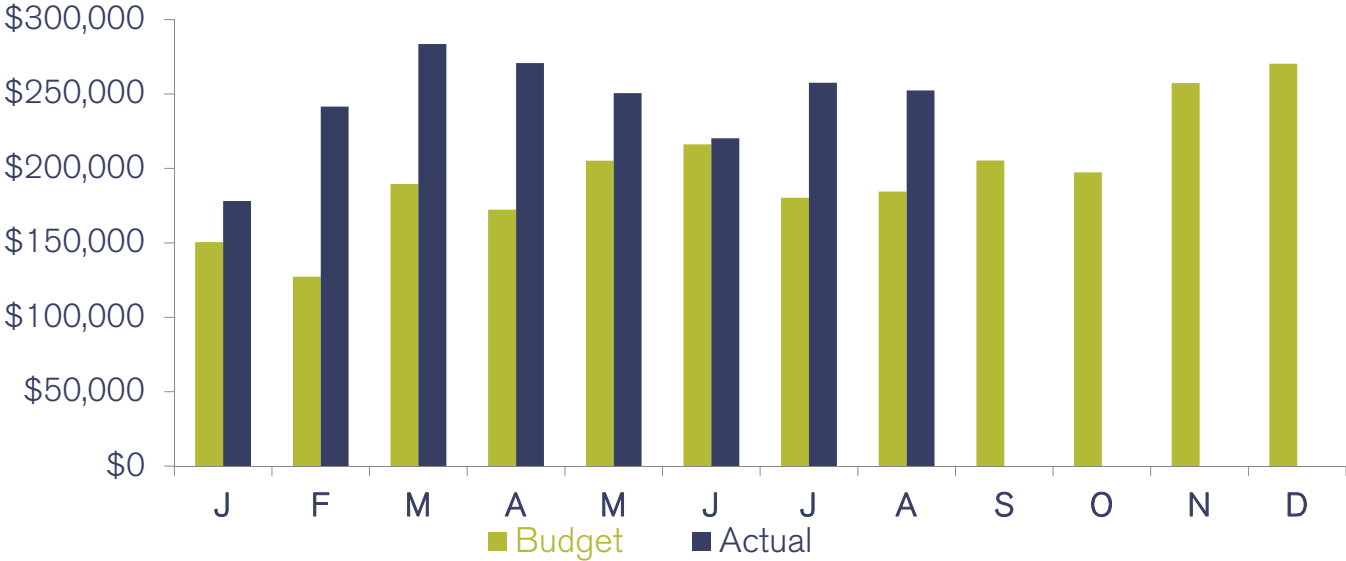
Return on Assets (ROA) has remained strong as the year-to-date ROA after the first eight months of the year is 45.8 bps on average assets of \$640.3 million.

Millennium Corporate's daily average net assets (DANA) for the previous 12-month period – which is used for the calculation of our capital ratios – was \$625.3 million at the end of August, a decrease of \$4.6 million from the previous month.

Millennium Corporate is now defined as “Well Capitalized” and we ended the month with Retained Earnings of \$11,737,562 representing a Retained Earnings ratio of 1.88% and a Tier 1 ratio of 5.28%.



# 2017 Budget/Actual Net Income



## YTD Actual/Budget Variance

August 2017   YTD <i>(In Thousands)</i>	Actual 2017	Budget 2017	Variance
Net Interest Income	\$3,086.3	\$2,788.3	\$298.0
+ Non-Interest Income	\$3,183.5	\$2,999.8	\$183.7
- Operating Expenses	\$4,021.2	\$4,003.3	(\$17.9)
= Net Operating Income	\$2,248.6	\$1,784.8	\$463.8
+ CUSO Gains/Losses	\$79.8	\$54.1	\$25.7
- NCUSIF Premium	\$0.0	\$0.0	\$0.0
- PCC Dividends	\$389.0	\$421.0	\$32.0
+ Other Gains/Losses	\$15.2	\$0.0	\$15.2
= Net Income	\$1,954.7	\$1,417.9	\$536.8

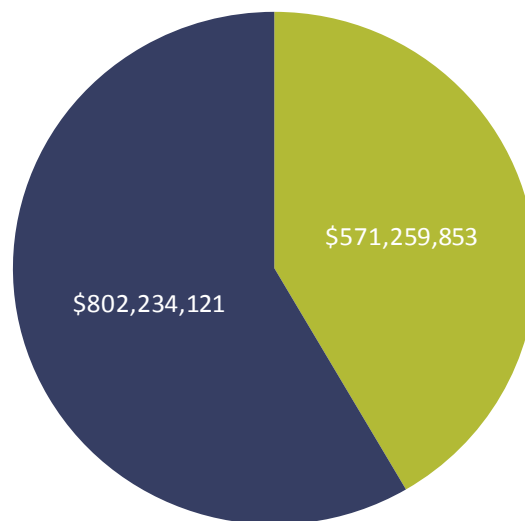


# Total Assets | On- and Off-Balance Sheet

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**August 2017**

Total Managed Assets - \$1,373,493,974



■ On-Balance Sheet ■ Off-Balance Sheet\*



## Liquidity Commentary

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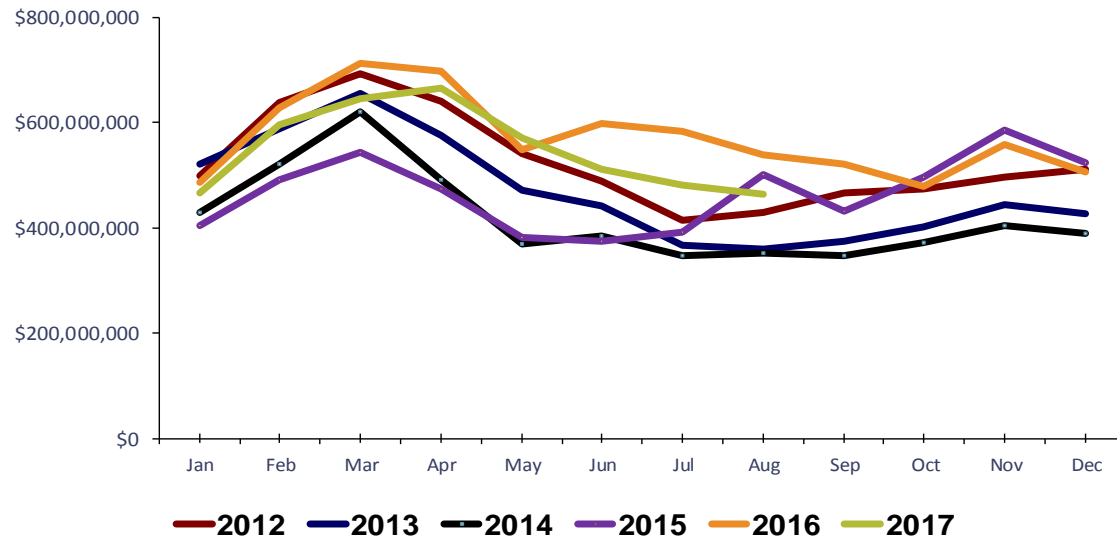
Millennium Corporate began accessing our FHLB Line-of-Credit (LOC) in mid-August 2017. Millennium Corporate currently has a Collateralized LOC of \$182.5 Million with the FHLB. During September, we have accessed our line-of-credit daily to meet seasonal liquidity needs.

- Millennium's liquidity options remain sufficient to meet member needs.
- Average member credit union daily loan balances have been increasing since June and that has continued in September. This is a historical trend at this time of the year. Loan balances averaged \$24.9 million in June; \$27.4 million in July; \$32.4 million in August; and averaged \$37.8 million for September.
- September month-end figures show SimpliCD issuance totals of \$148.4 Million.

*Graphical representations of the seasonal activity of member overnight deposits since 2012, and average member borrowing activity for 2017 follow this commentary.*



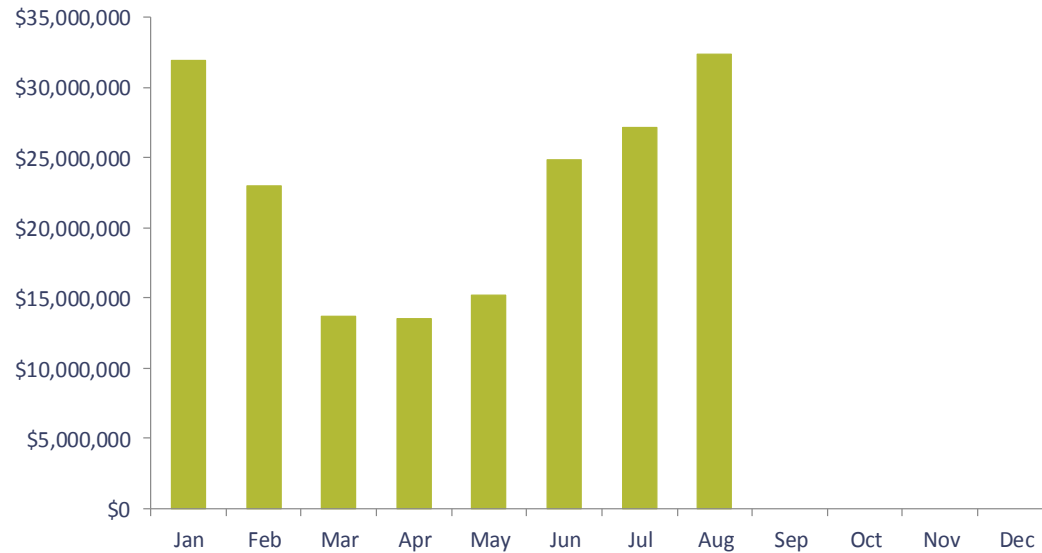
# Historical Member Overnight Deposits





# 2017 Average Monthly Member Borrowings

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## IRR | Net Economic Value (NEV)

NEV Testing Results   July 2017						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
Base Case	\$66,366,765	-	-	11.51%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$64,819,959	(\$1,546,806)	(2.33%)	11.28%	Minimum Ratio - 2%	PASS
					Max % Change - (15%)	PASS

Millennium Corporate passes both the required minimum NEV ratio and the maximum change limitation in the +300 rate shock scenarios.



# Capital Commentary

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- Increase to Retained Earnings during the past 12 months, through August 2017, is \$2,641,419
- Retained Earnings ratio is 1.88% as of August 2017 versus 1.39%, one year ago
- The phased 6-year capital regulatory requirements became effective October 20, 2016, and Millennium Corporate is defined as “Well Capitalized” and exceeds all capital requirements – the Tier 1 Capital ratio is 5.28%. The next and final phased capital requirement becomes effective October 2020.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate’s August 2017 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 1.88% | Minimum requirement – 1.00%
  - Tier 1 Capital Ratio – 5.28% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 37.5% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 75.4% | Minimum Requirement – 8.00%
  - GAAP Capital – 10.55%



# Board Meeting Recap

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## Board of Director's Meeting – September 29, 2017

- Received updates on the following initiatives from management..
  - Update on the quarterly meeting of the Corporate CU Alliance with NCUA
  - Shared the results of the 2017 Membership Survey – 86 members for a 31% response rate
  - Update on the sponsorship of Foundation Bash – Heartland Credit Union Charitable Foundation
  - Participated in NE Leadership Summit; Juniper Payments & Symitar conferences; KS CU Council meeting
  - October meetings include Heartland CU Association Annual Meeting; CU Association of the Dakota's - New Ideas Conference and the Montana's Credit Unions - Be Inspired Conference
  - Comment period for the proposed changes to Reg 704 ended September 1<sup>st</sup>. Ten corporates (including Millennium), twenty-one CUs and seven associations submitted comments. All comments were in favor of the proposed changes and we anticipate NCUA Board to act on the rule prior to year-end.
  - Management attending meetings regarding business plan for a potential CUSO for CULedger
  - September PCC rate is 1.55% - 0.39% over fed funds effective rate



# Board Meeting Recap

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## Board of Director's Meeting – September 29, 2017

- Approved August 2017 Financial Statements & Committee Reports
- Approved July 2017 Net Economic Value (NEV) Reports
- Approved a revised Membership Policy
- Representatives from KDCU and NCUA presented the 2017 joint examination report of Millennium to members of the Board, Committees and Management. The examination effective date was June 30, 2017. The Millennium Volunteers and Management were pleased with the results of the examination report.



# Strategic Planning Session September 28-29, 2017

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## Millennium's Strategic Planning Session was held in Branson, MO

- Year-to-date updates on each of our goals as of August 2017
- Discussed the resolution of each initiative using three options: Completed Initiative, Carry-over Initiative to 2018, or Discontinue Initiative
- 2017–18 CUNA E-Scan Presentation
  - Internal/External: Comments/Observations for Millennium
  - Opportunities/Threats to Millennium
- Reviewed results of 2017 Membership Survey
- Affirmed Mission, Vision and our Values
- Reviewed Millennium volunteers survey and identified recurring consensus survey themes
- Discussed additional key issues
- Management will draft an updated plan based on the results of the session and will present a proposed 2018 Strategic Plan in Dec/Jan Board meeting

