



Millennium
CORPORATE CREDIT UNION

Membership Report | July 2017

Agenda

- Financial Commentary
 - 2017 Budget/Actual Net Income
 - Actual/Budget Variance
 - Total Managed Assets – On- & Off-Balance Sheet
- 2Q Financial Review
 - Non-Interest Income Trends
 - Operating Expense Trends
 - Historical Coverage Ratio
 - Off-Balance Sheet Activity – SimpliCD & ISI
- Liquidity Commentary
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 - 2017 Average Monthly Member Borrowings
- Capital Commentary
- Interest Rate Risk/Net Economic Value Report – May 2017
- Board Meeting Recap
- Supervisory Committee Recap
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Financial Commentary

Net Income for June was \$220,290, above budget by \$4,104 or 1.9% for the month. Net interest income was higher than budget due to higher return on assets. Operating expenses were \$13,573 and 2.7% higher than budget due to the streamline effect of many operating expenses. CUSO gains are higher than budget and PCC dividends were right on budget. The year-to-date coverage ratio (fee income/operating expenses) is 79.8% which exceeds the 2017 goal of 75.2%.

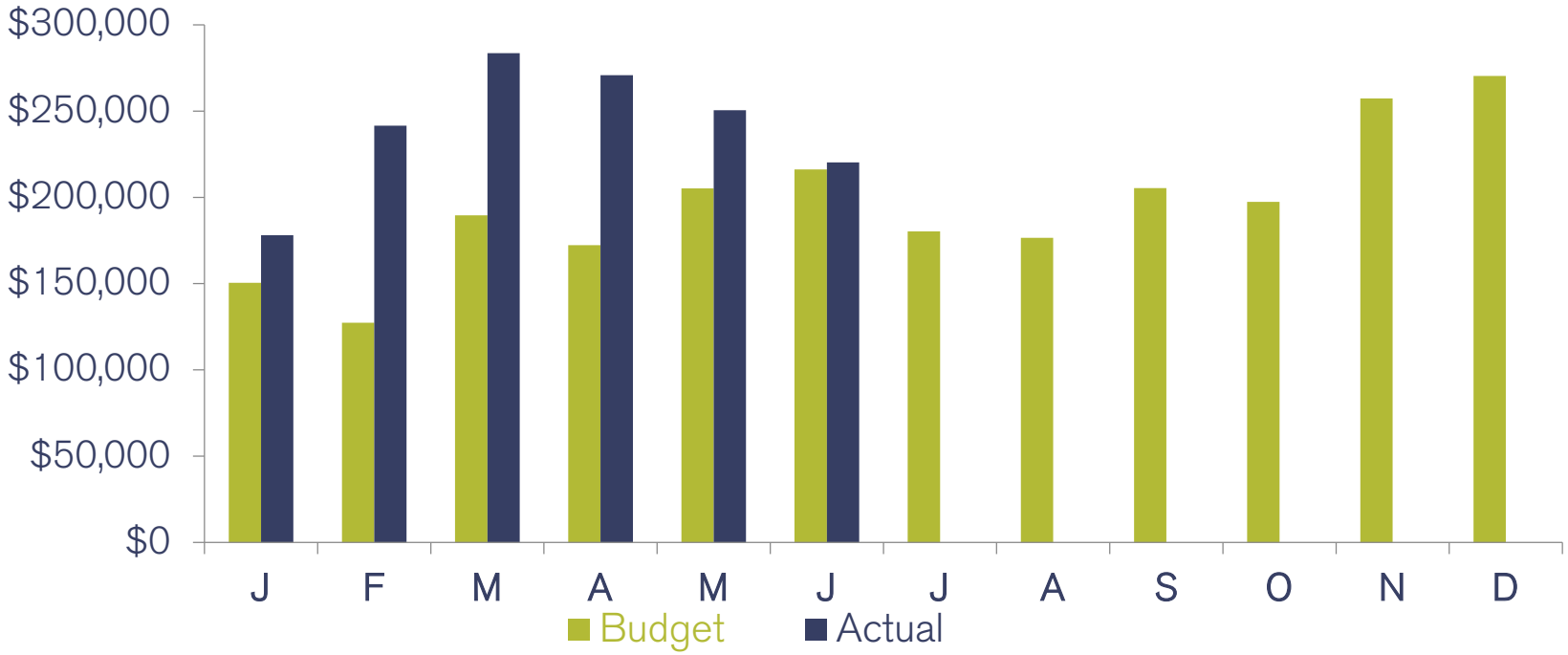
Return on Assets (ROA) has remained strong as the year-to-date ROA after the first half of the year is 43.4 bps on average assets of \$664.4 million.

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 \$636.0 million at the end of June, a decrease of \$6.1 million from the previous month.

Millennium Corporate is now defined as “Well Capitalized” and we ended the month with Retained Earnings of \$11,227,763, representing a Retained Earnings ratio of 1.77% and a Tier 1 ratio of 5.05%.



2017 Budget/Actual Net Income



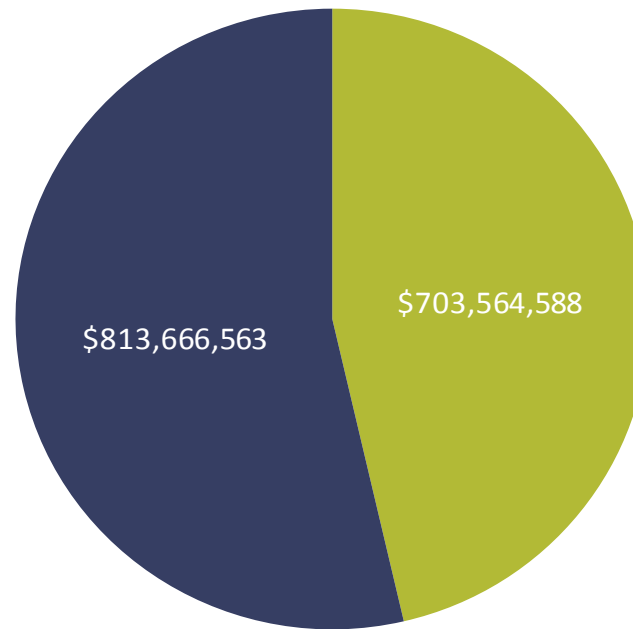
YTD Actual/Budget Variance

June 2017 YTD <i>(In Thousands)</i>	Actual 2017	Budget 2017	Variance
Net Interest Income	\$2,250.3	\$2,060.4	\$189.9
+ Non-Interest Income	\$2,404.4	\$2,250.4	\$154.0
- Operating Expenses	\$3,012.0	\$2,998.6	(\$13.4)
= Net Operating Income	\$1,642.7	\$1,312.2	\$330.5
+ CUSO Gains/Losses	\$59.7	\$41.1	\$18.6
- NCUSIF Premium	\$0.0	\$0.0	\$0.0
- PCC Dividends	\$257.8	\$292.3	\$34.5
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$1,444.7	\$1,061.0	\$383.7

Total Assets | On- and Off-Balance Sheet

June 2017

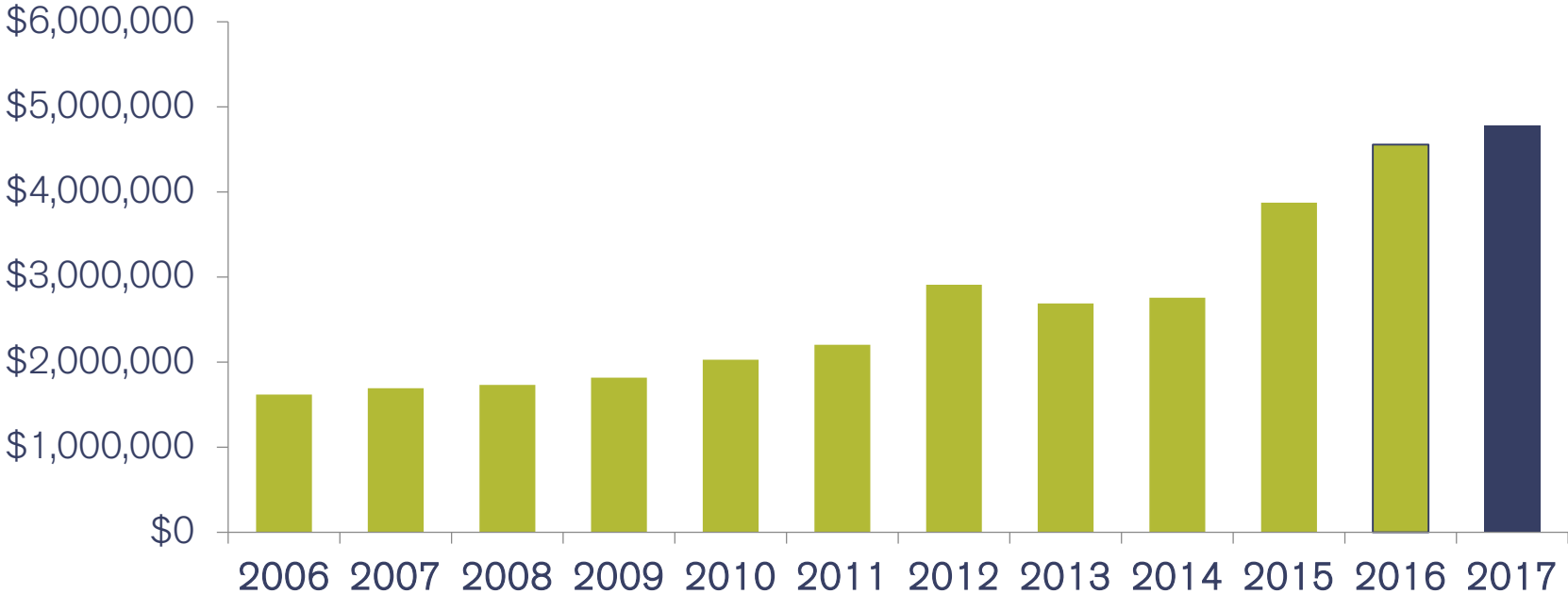
Total Managed Assets - \$1,517,231,151



■ On-Balance Sheet ■ Off-Balance Sheet*



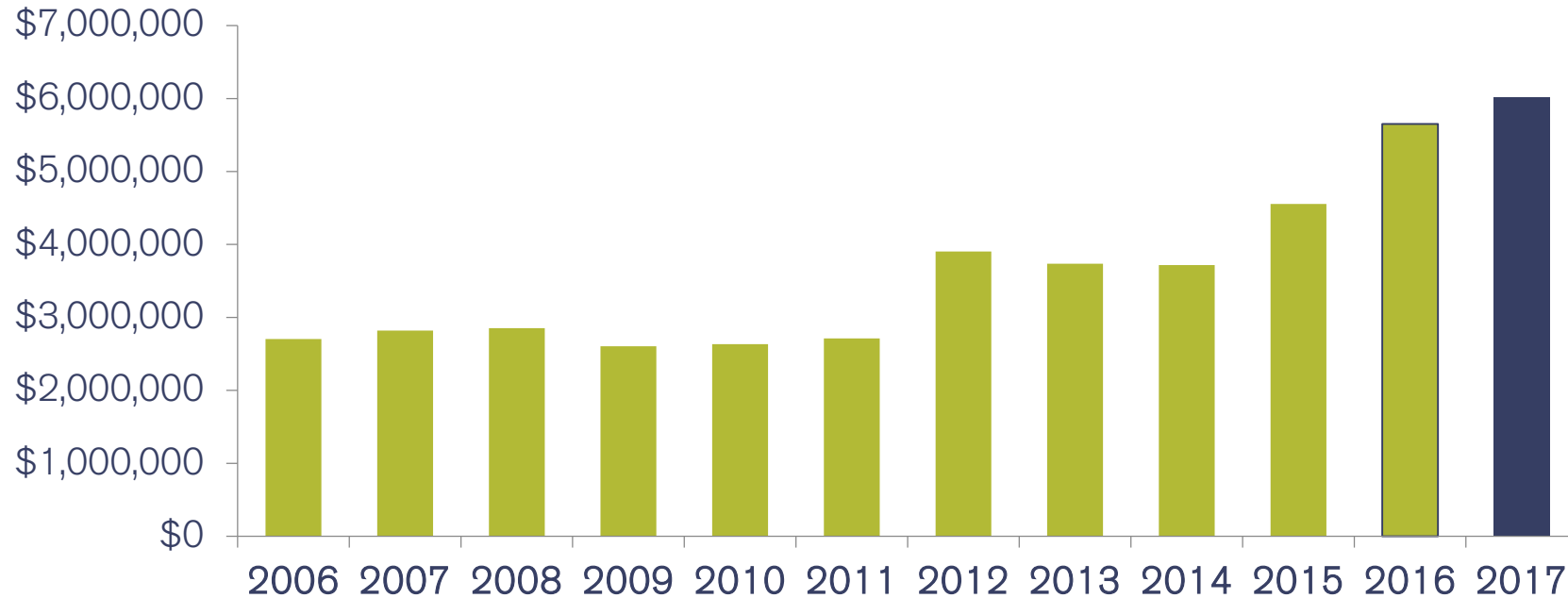
Annualized Non-Interest Income Trends



The 2017 budget projects a slight decrease in Non-Interest Income due to a projected decline in commission income. After the second quarter, non-interest income is on pace to exceed the budget by 6.8%.



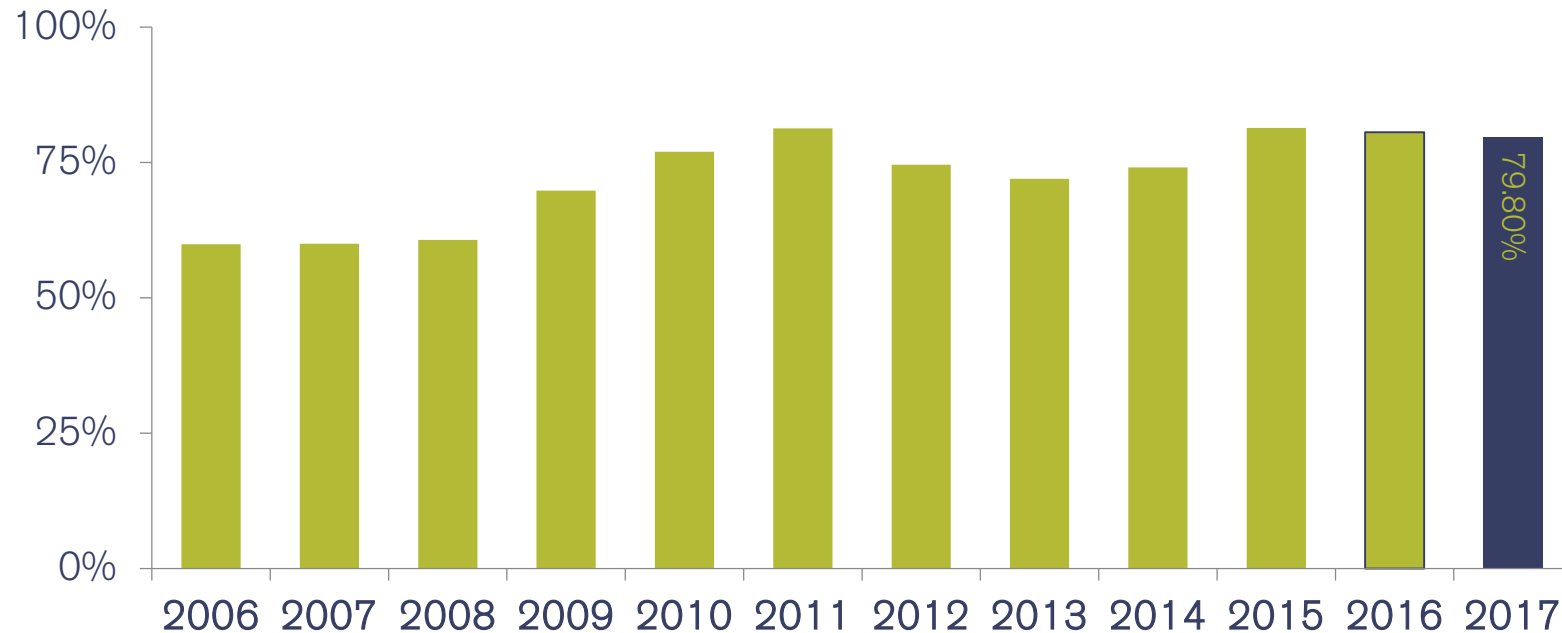
Annualized Operating Expense Trends



Operating Expenses are in line with budgeted operating expenses – after the second quarter, operating expenses are \$13,346 or 0.4% more than budget.

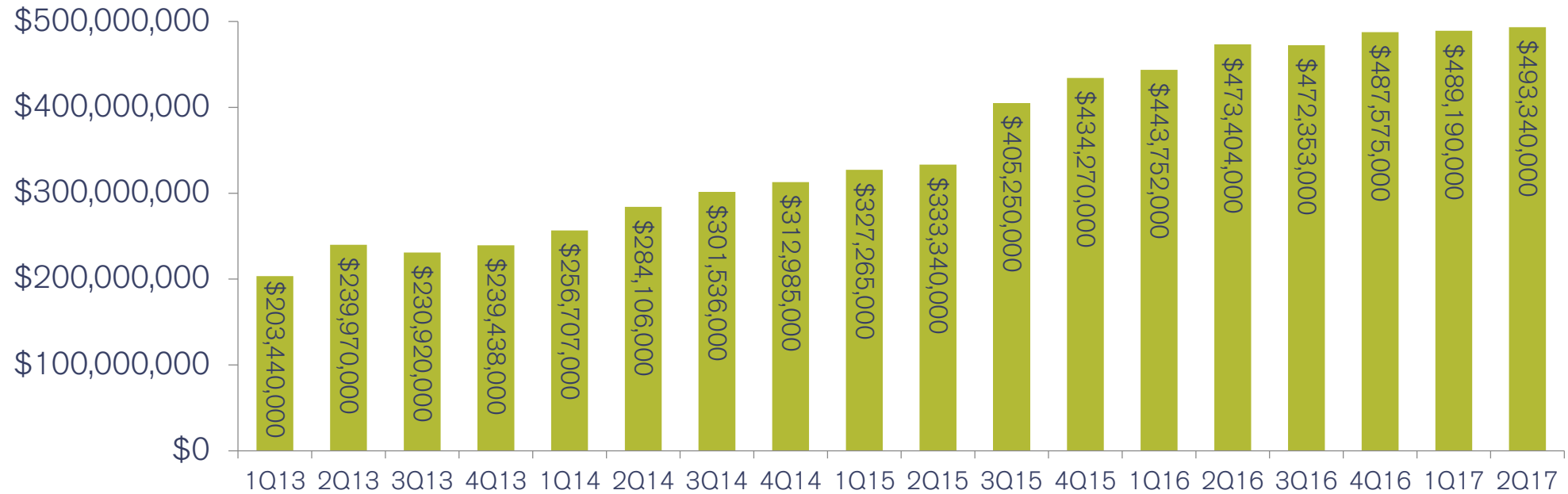


Coverage Ratio | Fee Income/Operating Expenses



The 2017 Coverage Ratio was budgeted to decline to 75.2% but after the second quarter the actual ratio was 79.8% due to better non-interest income and stable operating expense.

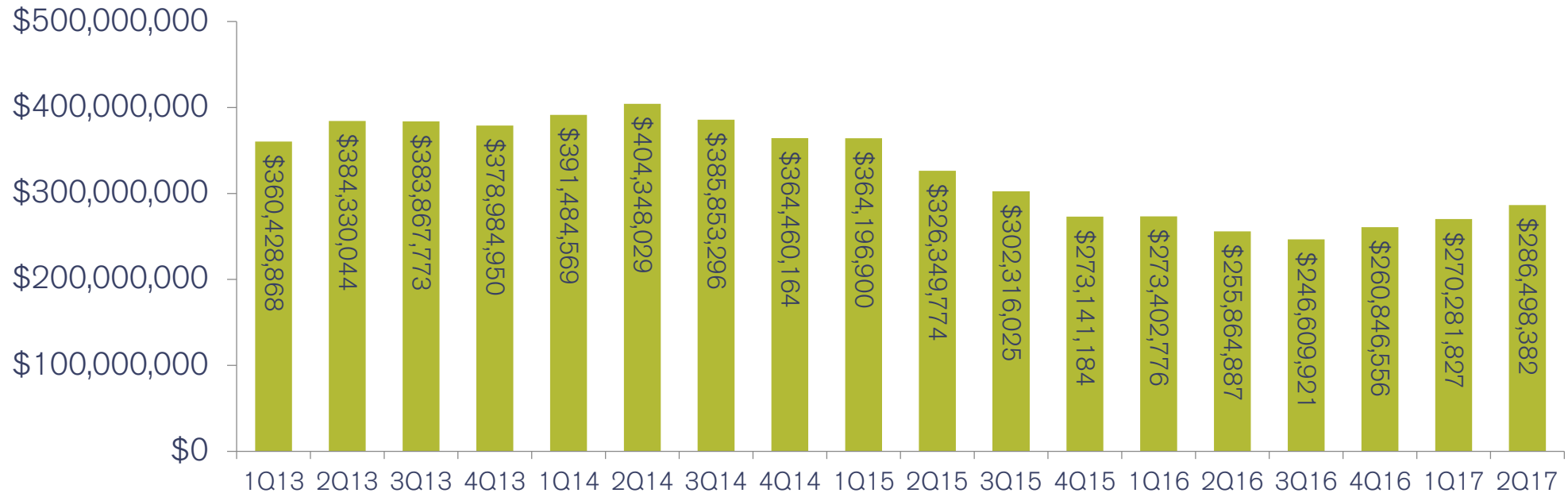
Total SimpliCD Outstanding



The Total SimpliCD outstanding amount remained at record highs for the past five quarters and ended June 2017 at \$493.3 million.



Total ISI Investments Outstanding



Outstanding securities sales peaked mid-year 2014. Since that time, loan growth has outpaced share growth – both nationally and regionally. However, outstanding securities have increased modestly for the past three quarters.



Liquidity Commentary

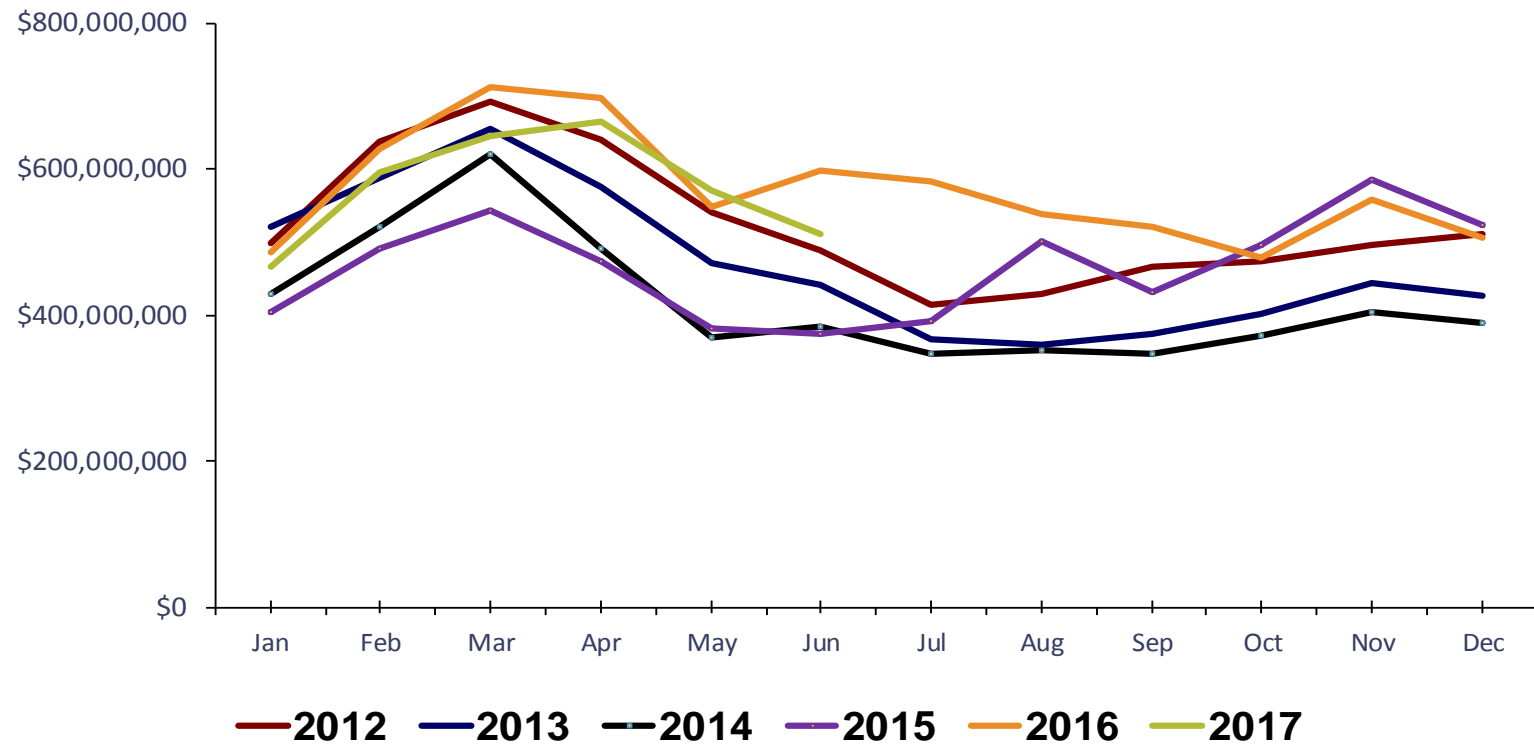
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in June 2017. Millennium Corporate currently has a Collateralized LOC of \$176.8 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Average member credit union daily loan balances increased significantly in June and that has continued in July. This is a historical trend at this time of the year. Loan balances averaged \$15.3 million in May; \$24.9 million in June; and have averaged \$26.9 million for most of July.
- June month-end figures show SimpliCD issuance totals of \$128.8 Million.

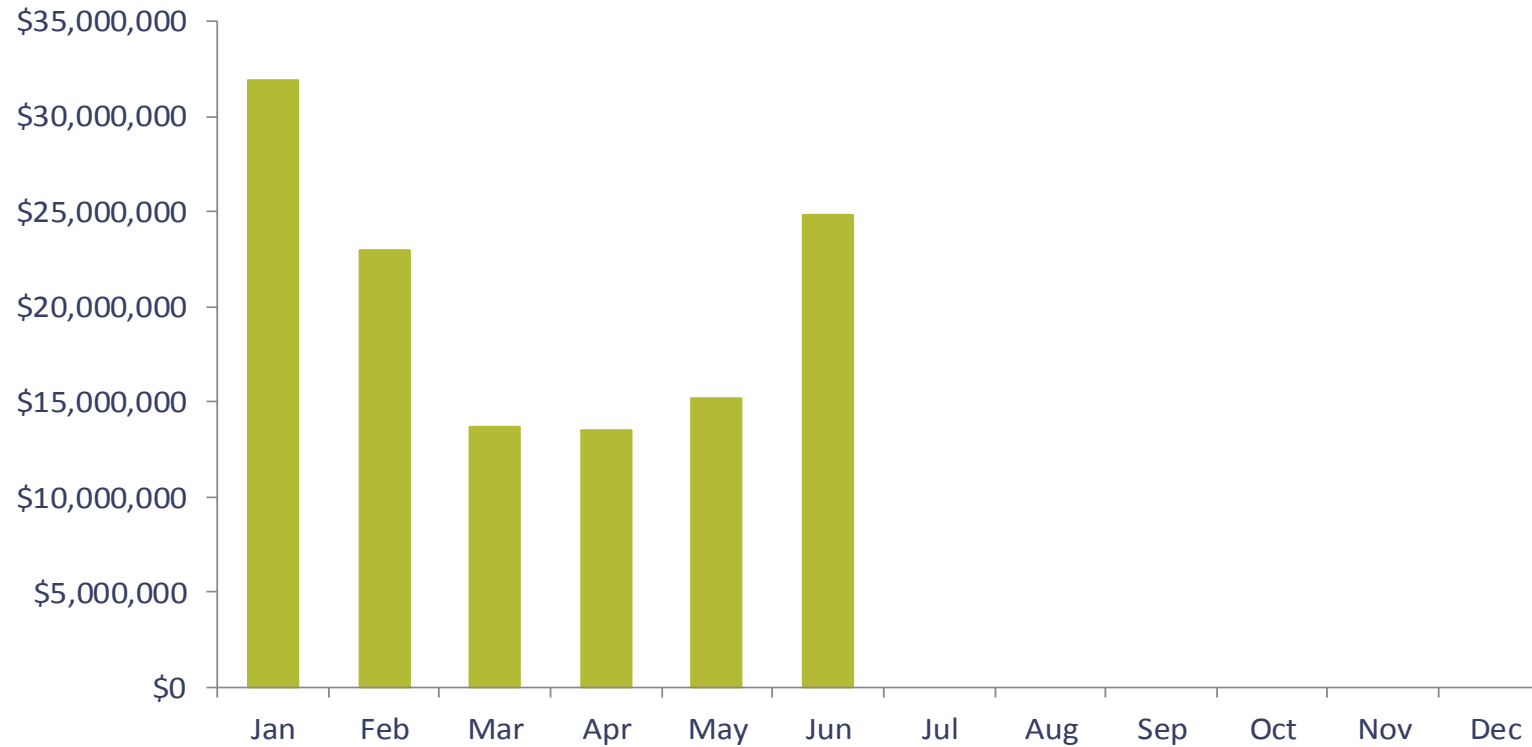
Graphical representations of the seasonal activity of member overnight deposits since 2012, and average member borrowing activity for 2017 follow this commentary.



Historical Member Overnight Deposits



2017 Average Monthly Member Borrowings



IRR | Net Economic Value (NEV)

NEV Testing Results May 2017						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
Base Case	\$65,708,985	-	-	10.69%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$64,290,043	(\$1,418,942)	(2.16%)	10.48%	Minimum Ratio - 2% Max % Change - (15%)	PASS PASS

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



Capital Commentary

- Increase to Retained Earnings during the past 12 months, through June 2017, is \$2,516,758
- Retained Earnings ratio is 1.77% as of June 2017 versus 1.35%, 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 5.05%. 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 June 2017 capital ratios, and the minimum regulatory requirement of each (where applicable).
 - Retained Earnings Ratio – 1.77% | Minimum requirement – 1.00%
 - Tier 1 Capital Ratio – 5.05% | Minimum Requirement – 4.00%
 - Tier 1 Risk-Based Capital Ratio – 36.5% | Minimum Requirement – 4.00%
 - Total Risk-Based Capital Ratio – 74.6% | Minimum Requirement – 8.00%
 - GAAP Capital – 10.28%



Board Meeting Recap

Board of Director's Meeting – July 28, 2017

- Approved June 2017 Financial Statements & Committee Reports
- Approved May 2017 Net Economic Value (NEV) Reports
- Reviewed the 2017 2Q Measures and Targets from Millennium's Strategic Plan
- Discussed ways to increase usage of Millennium products and services for both members and non-members.
- Reviewed the Member Survey that will be sent to the membership in August.
- Received updates on the following initiatives from management..
 - NCUA proposed changes to Regulation 704 governing corporate credit unions and the proposed closing of the Temporary Corporate Credit Union Share Insurance Fund
 - Preparation for the regulatory exams from KDCU & NCUA in August
 - Update on the sponsorship of the Foundation Bash – Heartland Credit Union Charitable Foundation
 - Rate environment, PCC and overnight rates
 - Details of the 2017 Millennium strategic planning session



Supervisory Committee Recap

Supervisory Committee Meeting – July 17, 2017

- The Committee reviewed and accepted the Operations Recovery tests; Jack Henry (Symitar) Risk Assessment; and Millennium Security Program Board Report.
- The Committee reviewed and approved the Internal Audits of Wire Transfer Procedure; Authority Level Review; and the Brinks (Kansas City) Cash Count.
- The Committee reviewed the 2Q Enterprise Risk Management (ERM) Board report.
- Reviewed the status of the items on Millennium's matrix report of all issues or recommendations from regulatory examinations; internal and external audits; and internal risk assessments. All items are being addressed within adequate timeframes.
- Reviewed BSA monitoring reports since last meeting
- Next meeting – September 18, 2017

Credit Committee Recap

Credit Committee Meeting – July 26, 2017

- The Committee reviewed and approved 46 lines-of-credit
- The Committee reviewed the Monitor Report and voted to add a member to the Monitor List.
- Canceled two lines-of-credit
- Reviewed strategic planning session details
- Current Advised LOC status – 261 Lines/\$639.9 million
- Next meeting – October 11, 2017

August 2017

Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
31	1	2	3	4
KDCU/NCUA Exam 7	KDCU/NCUA Exam 8	KDCU/NCUA Exam 9	KDCU/NCUA Exam 10	KDCU/NCUA Exam 11
KDCU/NCUA Exam 14	KDCU/NCUA Exam 15	KDCU/NCUA Exam 16	KDCU/NCUA Exam 17	KDCU/NCUA Exam 18
21	22	23	Millennium Corporate Board & ALCO Meetings 24	Lincoln Chapter of Credit Unions Golf Tournament 25
28	29	30	31	1