



# Membership Report | January 2017

# Agenda

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- Financial Commentary
  - 2016 Budget/Actual Net Income
  - Actual/Budget Variance
  - Total Managed Assets – On- & Off-Balance Sheet
- 4Q Financial Review
  - Non-Interest Income Trends
  - Operating Expense Trends
  - Coverage Ratio
  - Off-Balance Sheet Activity – SimpliCD & ISI
- Liquidity Commentary
  - Historical Member Overnight Deposits
  - 2016 Average Monthly Member Borrowings
- Capital Commentary
- Interest Rate Risk/Net Economic Value Report – November 2016
- Board Meeting Recap
- Supervisory Committee Meeting
- Calendar of Events | February 2017



## Financial Commentary

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Net Income for December was \$176,673, below budget by \$19,428 or 9.9% for the month. Net interest income was lower than budget and non-interest income was significantly higher primarily due to commission income. Operating expenses were \$9,125 and 1.9% higher than budget. CUSO accrued expense was higher due to the ISI loss for the fiscal year. PCC dividends were lower than budget due to the projected rate increase at mid-year that didn't materialize. December net income reflected an ROA of 38.2 bps on average assets of \$554.5 million for the month.

For the year, 2016 average assets exceeded the budget by \$23.5 million and 3.7% above budget. Despite the higher asset growth for the year, we exceeded our capital goals. Non-interest income increased significantly and operating expenses were in line with budget as expenses were less than a 0.5% difference. For the first time in our history, we exceeded \$2 million in net income.

The 2016 performance reflects Net Income of \$2,107,594, exceeding budget by \$375,324 or 21.7%. The 2016 ROA has 32.3 bps exceeding the budgeted ROA of 27.6 bps.



## Financial Commentary

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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 \$651.5 million at the end of December, an increase of \$55.9 million from the previous year.

Millennium Corporate exceeds the minimum for all capital ratios under the regulation and ended the month with Retained Earnings of \$9,782,837 representing a Retained Earnings ratio of 1.50% and a Tier 1 ratio of 4.53%.



# 2016 Budget/Actual Net Income



## YTD Actual/Budget Variance

December 2016   YTD <i>(In Thousands)</i>			
	Actual 2016	Budget 2016	Variance
Net Interest Income	\$3,414.4	\$3,418.5	(\$4.1)
+ Fee Income	\$4,556.8	\$4,204.6	\$352.3
- Operating Expenses	\$5,652.3	\$5,625.8	(\$26.5)
= Net Operating Income	\$2,318.9	\$1,997.3	\$321.7
+ CUSO Gains/Losses	(\$3.0)	\$27.2	(\$30.2)
- NCUSIF Premium	\$0.0	\$0.0	\$0.0
- PCC Dividends	\$208.3	\$292.2	\$83.9
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$2,107.6	\$1,732.3	\$375.3

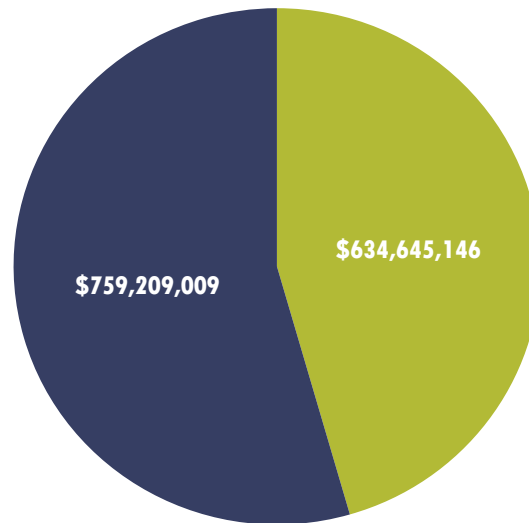


# Total Assets | On- and Off-Balance Sheet

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**December 2016**

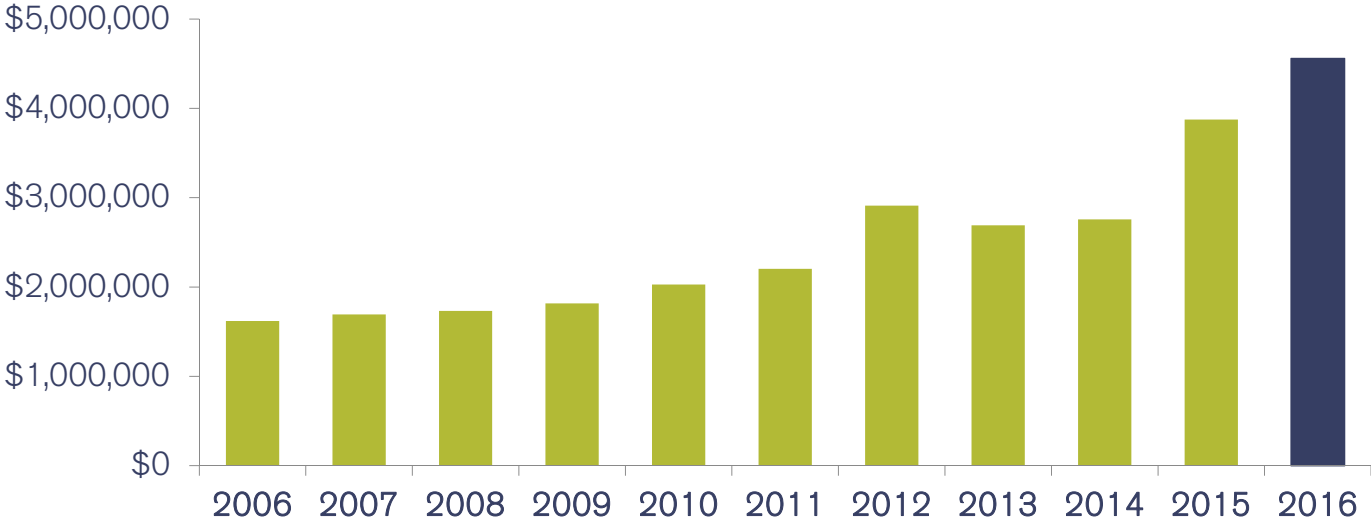
Total Managed Assets - \$1,393,854,155



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



# Non-Interest Income Trends

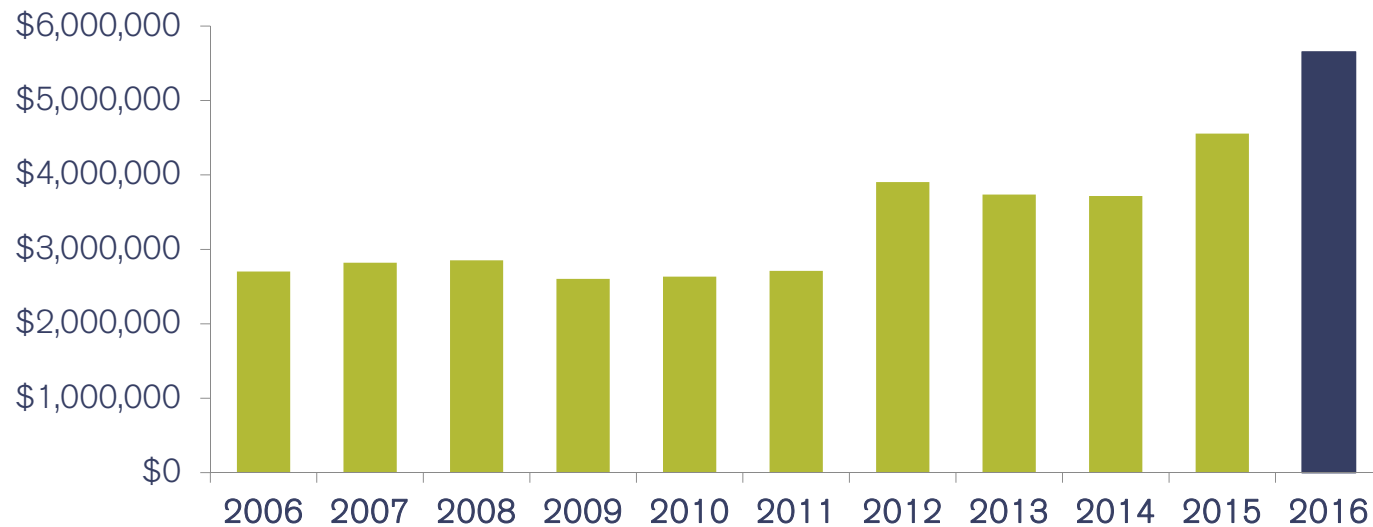


The 2016 budget projected an increase in Non-Interest Income due to a full year as a merged entity. Almost each category was higher than budgeted and commission sales were significantly stronger than expected. Non-Interest Income increased 17.6% from 2015 levels.





# Operating Expense Trends



The 2016 budget projected an increase in Operating Expenses due to a full year as a merged entity. Overall, Operating Expenses were in line with budget – less than a 0.5% difference.



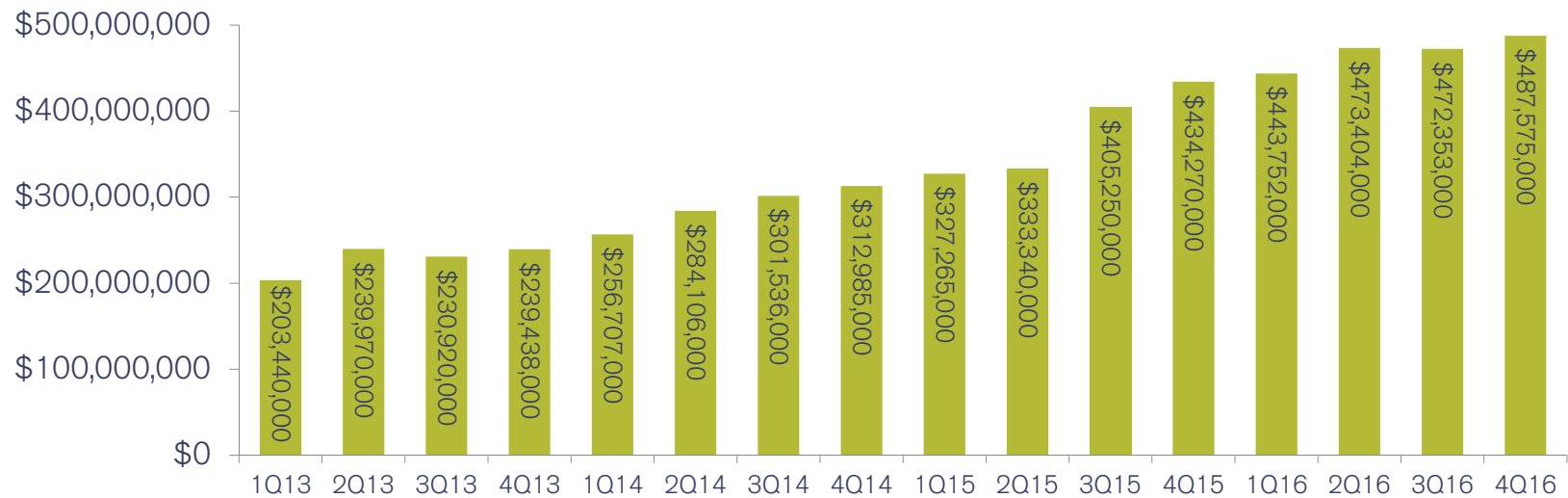
## Coverage Ratio | Fee Income/Operating Expenses



The 2016 Coverage Ratio was budgeted to be 74.7% and the actual ratio was 80.6% due primarily to strong commission revenue and overall flat operating expenses. 2015 was higher due to the recognition of SimpliCD commission and overall securities and SimpliCD sales.



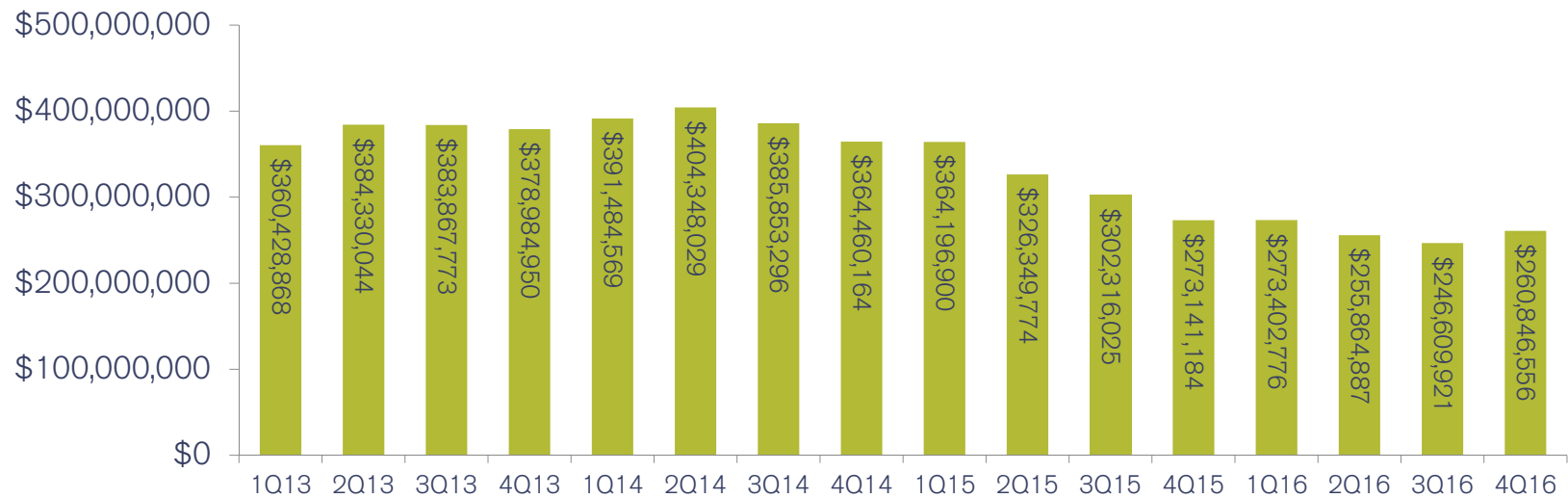
# Total SimpliCD Outstanding



The Total SimpliCD outstanding amount remained at record highs for the past three quarters and ended December at \$487.6 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.



# Liquidity Commentary

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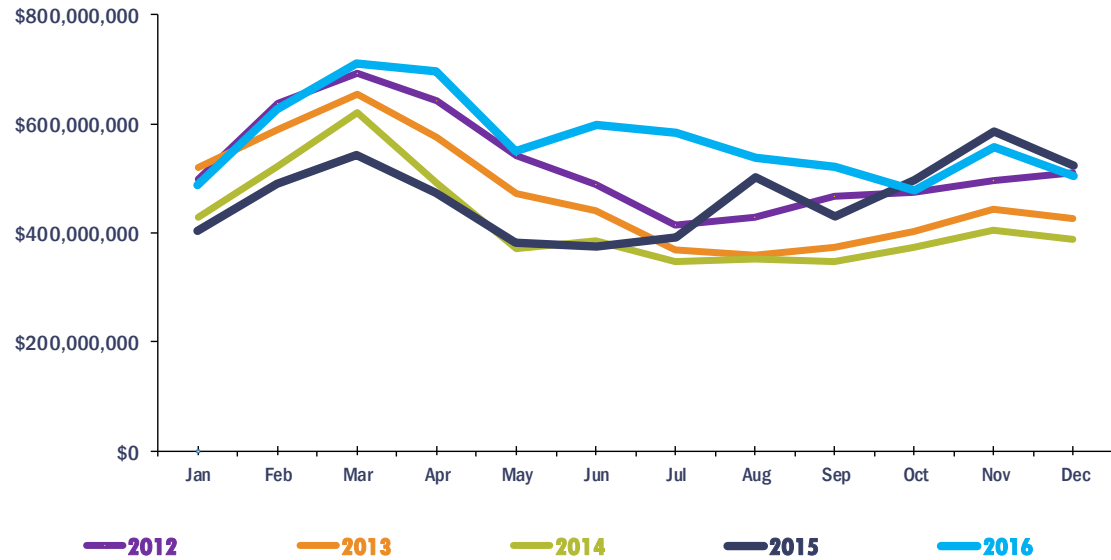
Millennium Corporate utilized our FHLB Line-of-Credit (LOC) periodically in December 2016. Millennium Corporate currently has a Collateralized LOC of \$155.6 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Average member credit union daily loan balances increased significantly during the May through September time-frame. Loan balances peaked at \$30.5 Million in September; declined to \$22.4 Million in November; increased \$24.1 Million in December; and increased to \$33.3 Million during most of January.
- December month-end figures show SimpliCD issuance totals of \$126.3 Million.

*Graphical representations of the seasonal activity of member overnight deposits since 2012, and average member borrowing activity for 2016 follow this commentary.*

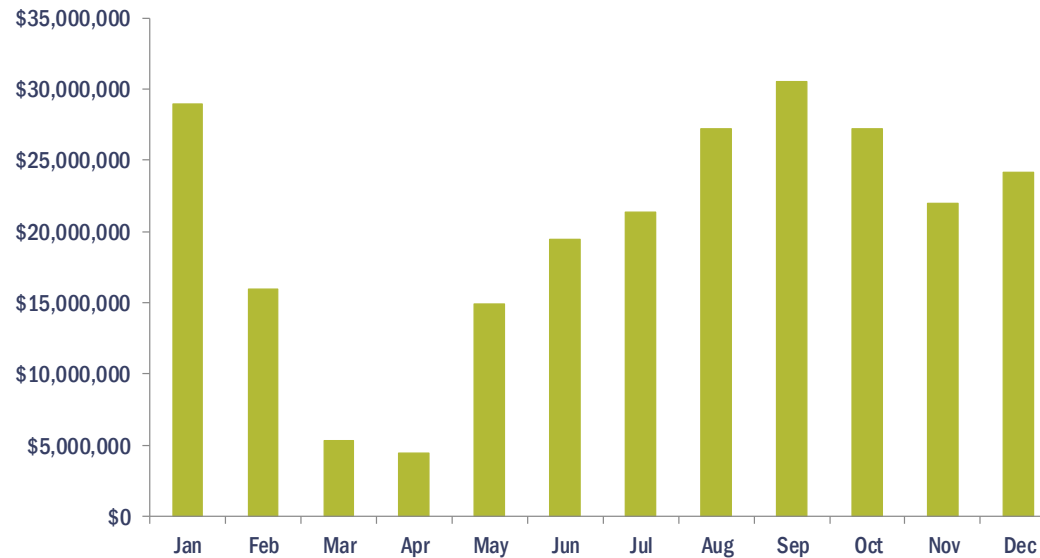


# Historical Member Overnight Deposits



# 2016 Average Monthly Member Borrowings

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# Capital Commentary

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- Increase to Retained Earnings during the past 12 months, through December 2016, is \$2,107,593
- Retained Earnings ratio is 1.50% as of December 2016 versus 1.29%, one year ago.
- The phased 6-year capital regulatory requirements became effective October 20, 2016, and Millennium Corporate exceeds all capital requirements – the Tier 1 Capital ratio is 4.53%. 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 December 2016 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 1.50% | Minimum requirement – 1.00%
  - Tier 1 Capital Ratio – 4.53% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 33.2% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 72.3% | Minimum Requirement – 8.00%
  - GAAP Capital – 9.81%





# IRR | Net Economic Value (NEV)

NEV Testing Results   November 2016						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
Base Case	\$63,589,045	-	-	11.13%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$61,668,264	(\$1,920,781)	(3.02%)	10.83%	Minimum Ratio - 2%  Max % Change - (15%)	PASS

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



# Board Meeting Recap

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## Board of Director's Meeting – January 25, 2017

- Approved December 2016 Financial Statements & Committee Reports
- Approved November 2016 Net Economic Value (NEV) Reports
- Received update on the following initiatives from management...
  - Vendor meetings with Brinks, LendingTools and the Topeka FHLB
  - Participated in the MonDak (Montana and Dakota's) Roundtable meeting
  - Tenbrink & Associates on-site for planning the year-end financial audit
  - Final preparations for the new website rollout in February
  - Held ERM, Supervisory, ALCO meetings during the month
  - Corporate CU Alliance request to NCUA Board to clarify rules under Part 704
  - Budget and audit preparations
  - Steve Borchers, Millennium's ERM expert, earned CU Enterprise Risk Management certification



# Board Meeting Recap

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## Board of Director's Meeting – January 25, 2017

- Approved the 2017 Budget with the following outcomes:
  - ROA of 35.2 bps
  - Net Income - \$2,348,261
  - 2017 Daily Average Net Assets - \$666.7 Million (increase of \$15.2M or 2.3%)
  - Projected December 2017 Retained Earnings Ratio of 1.82% - exceeding minimum requirement of 1.00%
  - Projected December 2017 Tier 1 Capital Ratio of 5.17% - exceeding minimum requirement of 4.00%
- Approved a minor change to the Enterprise Risk Management Policy
- Approved contributions to the Heartland CU Charitable Foundation; Montana CUs for Community Development; and the CU Foundation of Nebraska.



# Supervisory Committee Recap

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## Supervisory Committee Meeting – January 23, 2017

- The Committee reviewed the Supervisory Committee Charter and the Internal Auditor Charter.
- The Committee reviewed the risk ratings for each item in the internal audit universe and approved the 2017 interval audit schedule.
- The Committee received a report of the Brinks (Wichita location) cash count.
- 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 – March 20, 2017



# February 2017

## Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
<b>30</b> Jam the Unicam – Lincoln, NE	<b>31</b>	<b>1</b> Missouri Day at the Capitol – Jefferson City, MO	<b>2</b>	<b>3</b>
<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>13</b>	<b>14</b>	<b>15</b> Kansas Day at the Capitol – Topeka, KS	<b>16</b>	<b>17</b>
<b>20</b> Presidents' Day – Millennium Offices Closed	<b>21</b>	<b>22</b>	<b>23</b> Millennium Board Meeting Millennium ALCO Meeting	<b>24</b> Millennium Credit Committee Meeting
<b>27</b> CUNA Governmental Affairs Conference – Washington DC	<b>28</b> CUNA Governmental Affairs Conference – Washington DC	<b>1</b> CUNA Governmental Affairs Conference – Washington DC	<b>2</b> CUNA Governmental Affairs Conference – Washington DC	<b>3</b>