



# Membership Report | July 2018

# Agenda

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- Financial Commentary
  - 2018 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
  - Off-Balance Sheet Activity – SimpliCD & ISI
- Liquidity Commentary
  - Historical Member Overnight Deposits
  - 2018 Average Monthly Member Borrowings
- Interest Rate Risk/Net Economic Value Report – May 2018
- Capital Commentary
- Board Meeting Recap
- Credit Committee Recap
- Calendar of Events – August 2018



## Financial Commentary

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Net Income for June was \$328,818, above budget by \$134,372 or 69.1% for the month. Net interest income was \$113,590 or 25.7% higher than budget due to the higher yield on our floating rate investments as they continue to reset after the FOMC raised the targeted fed funds in mid-June. Non-interest income was \$37,476 or 10.1% higher than budget as each non-interest category was higher than budget. Operating expenses were higher than budget by \$4,813 and 0.9%. CUSO loss is more than budget by \$9,651 or 96.5%. PCC dividends were higher than budget by \$2,231 or 2.3% to pay a higher rate. The year-to-date coverage ratio (fee income/operating expenses) is 75.6% which is greater than the 2018 goal of 75.1%.

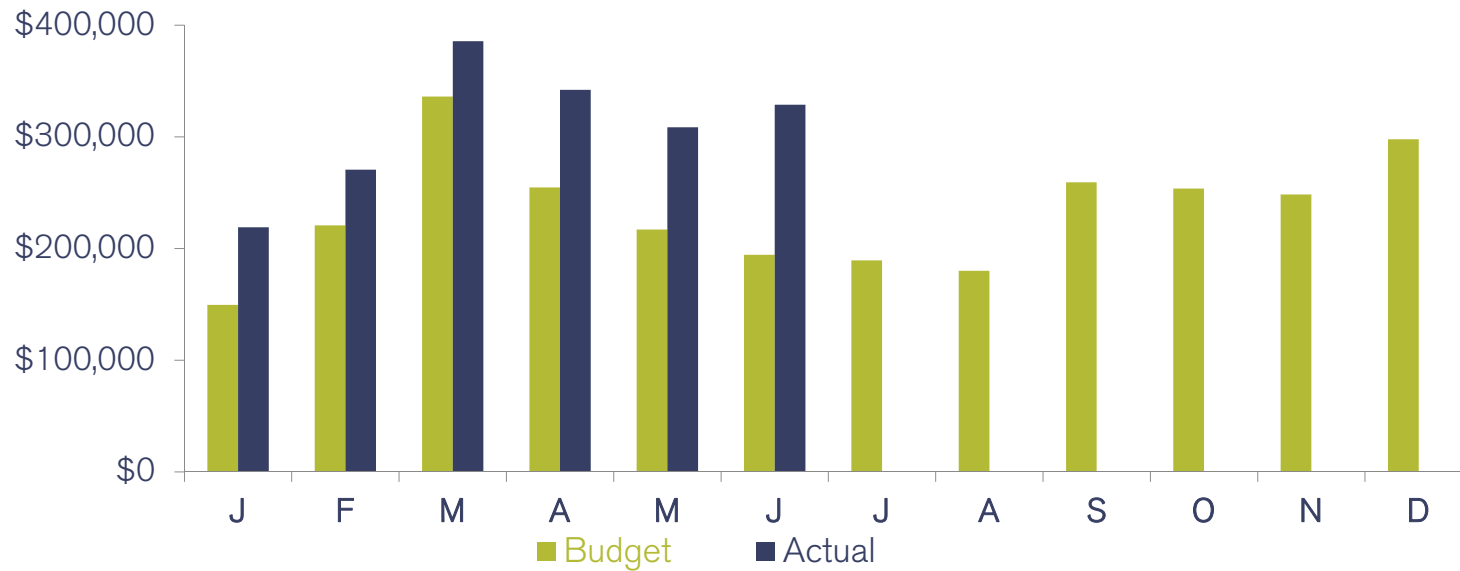
Return on Assets (ROA) has been strong as the year-to-date ROA after June is 57.9 bps on average assets of \$640.9 million for the first half of the year.

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 \$606.2 million at the end of June, a decrease of \$0.6 million from the previous month.

Millennium Corporate is defined as “Well Capitalized” and we ended the month with Retained Earnings of \$14,758,229, representing a Retained Earnings ratio of 2.44% and a Tier 1 ratio of 6.70%.



# 2018 Budget/Actual Net Income



## YTD Actual/Budget Variance

June 2018   YTD <i>(In Thousands)</i>	Actual 2018	Budget 2018	Variance
Net Interest Income	\$3,154.8	\$2,701.6	\$453.2
+ Non-Interest Income	\$2,439.1	\$2,339.8	\$99.3
- Operating Expenses	\$3,225.3	\$3,187.3	(\$38.0)
= Net Operating Income	\$2,368.6	\$1,854.1	\$514.5
+ CUSO Gains/Losses	\$30.9	\$60.7	(\$29.8)
- NCUSIF Premium	\$0.0	\$0.0	\$0.0
- PCC Dividends	\$544.7	\$542.2	(\$2.5)
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$1,854.8	\$1,372.6	\$482.2

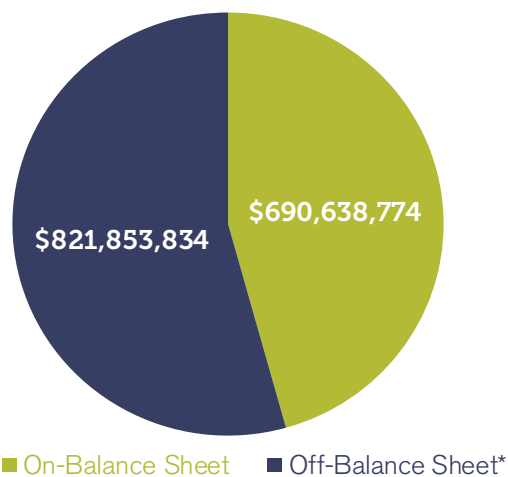


# Total Assets | On- and Off-Balance Sheet

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**June 2018**

Total Managed Assets - \$1,512,492,608



# Annualized Non-Interest Income Trends

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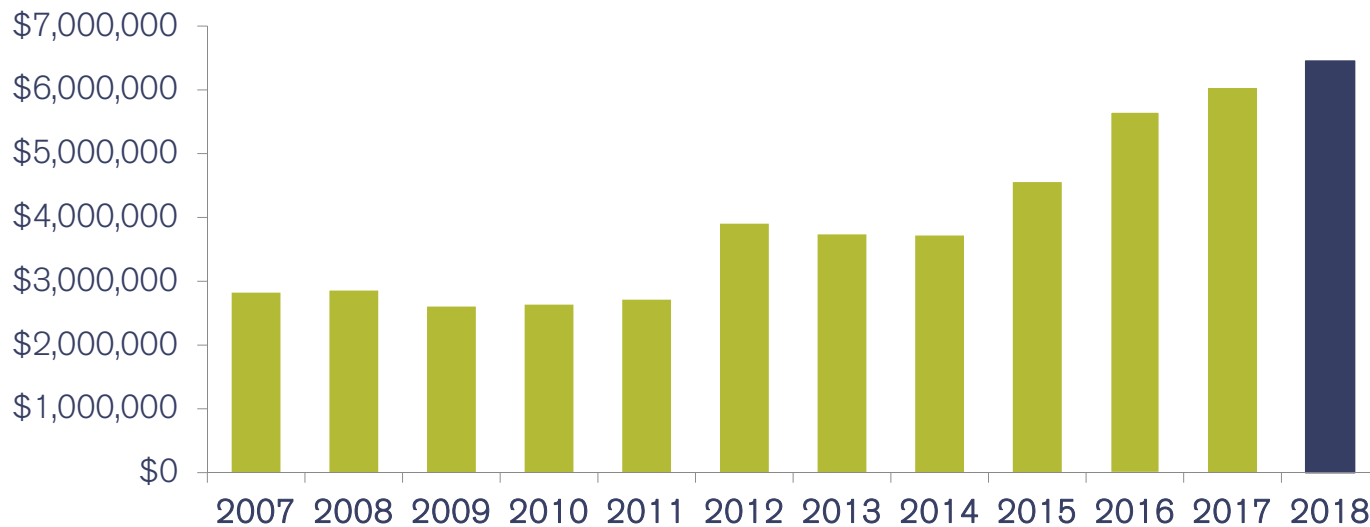


The 2018 budget projected a slight decrease in Non-Interest Income due to a projected decline in commission income. After the first half of the year, non-interest income is on pace to exceed the budget by 4.2%.



# Annualized Operating Expense Trends

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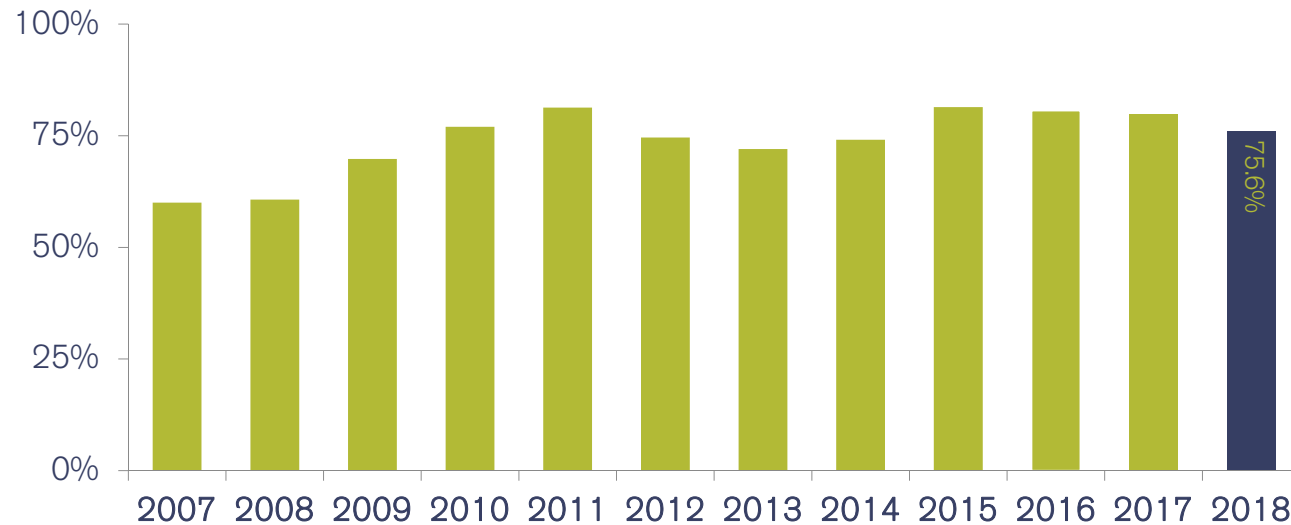


Operating Expenses are higher than budgeted due primarily to salary accruals, annual meeting, travel and promotion/advertising. After the first half of the year, operating expenses are \$37,992 or 1.2% more than budget.





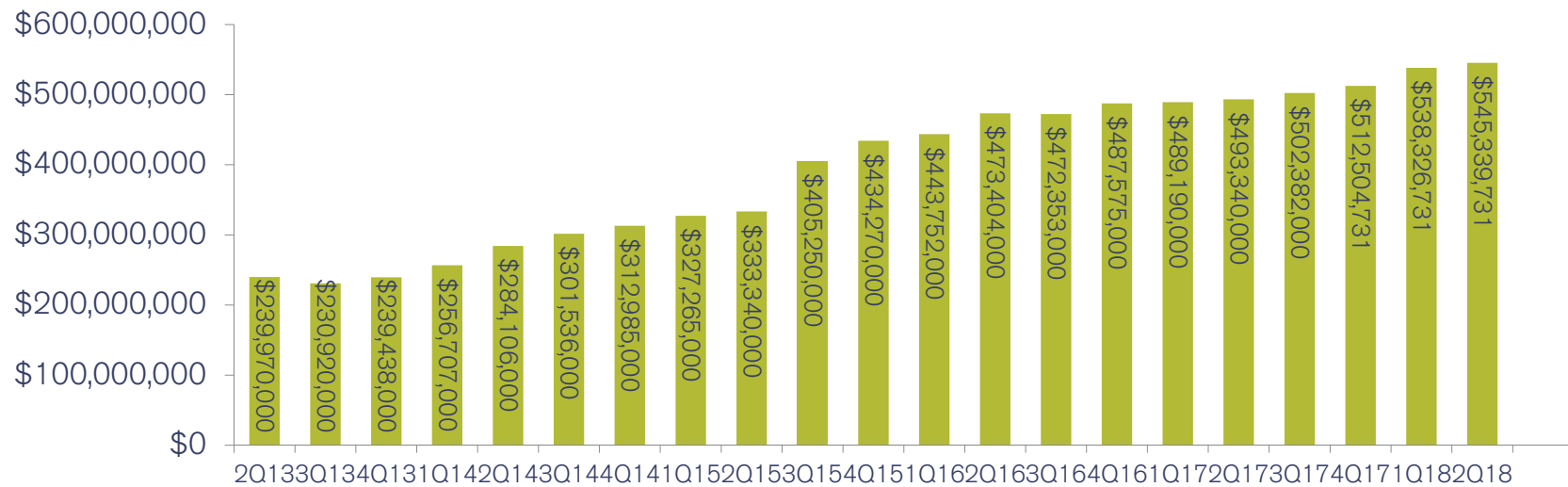
# Coverage Ratio | Fee Income/Operating Expenses



The 2018 Coverage Ratio was budgeted to decline to 75.1% but after the first half of the year the actual ratio was 75.6% due to better non-interest income and the NCUSIF distribution.



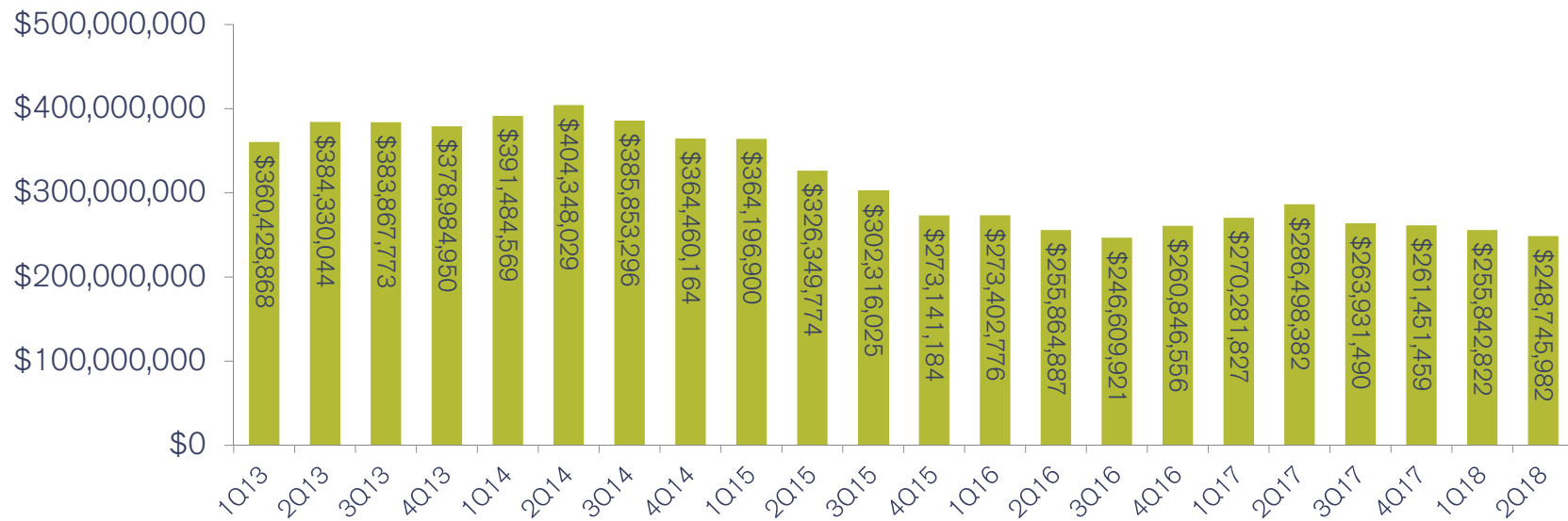
# Total SimpliCD Outstanding



The Total SimpliCD outstanding amount remained at record highs for the past seven quarters and ended June 2018 at \$545.3 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.



# Liquidity Commentary

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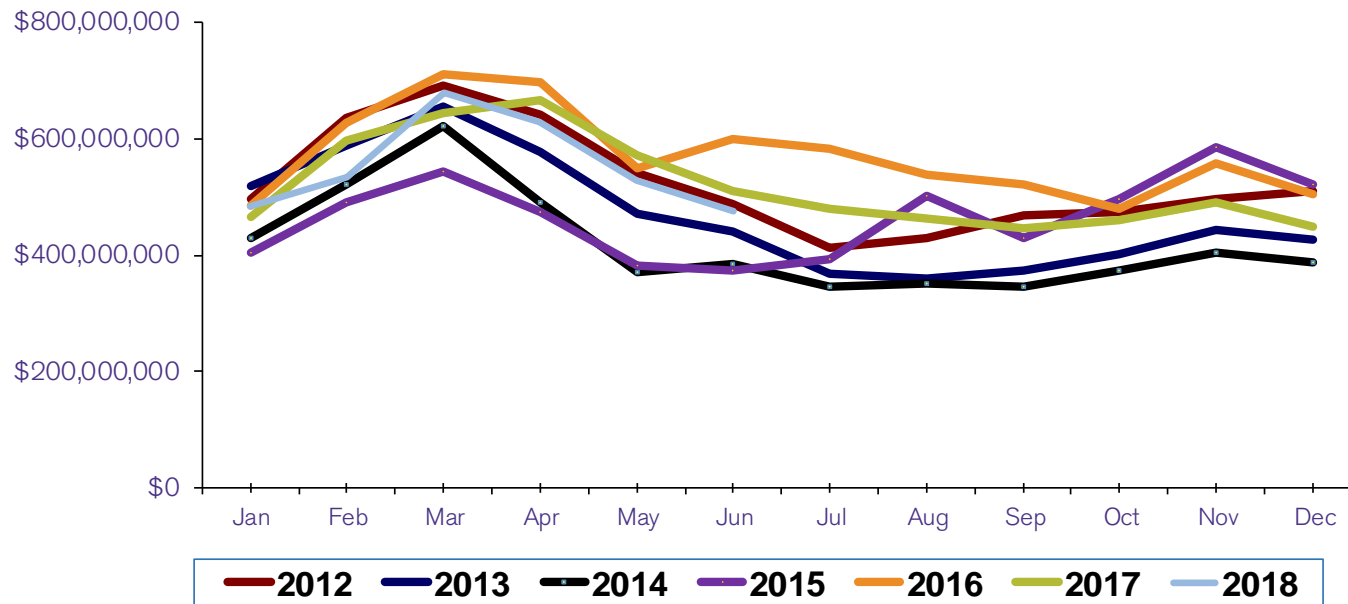
Millennium Corporate accessed our FHLB Line-of-Credit (LOC) multiple times in June 2018. Millennium Corporate currently has a Collateralized LOC of \$185.2 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Average member credit union daily loan balances have started to increase – which is a historical trend at this time of the year. Loan balances averaged \$24.3 million in May; \$42.8 million in June; and has averaged \$48.2 million during most of July.
- June 2018 month-end figures show SimpliCD issuance totals of \$165.9 million.

*Graphical representations of the seasonal activity of member overnight deposits since 2012 and average member borrowing activity for 2018 follow this commentary.*

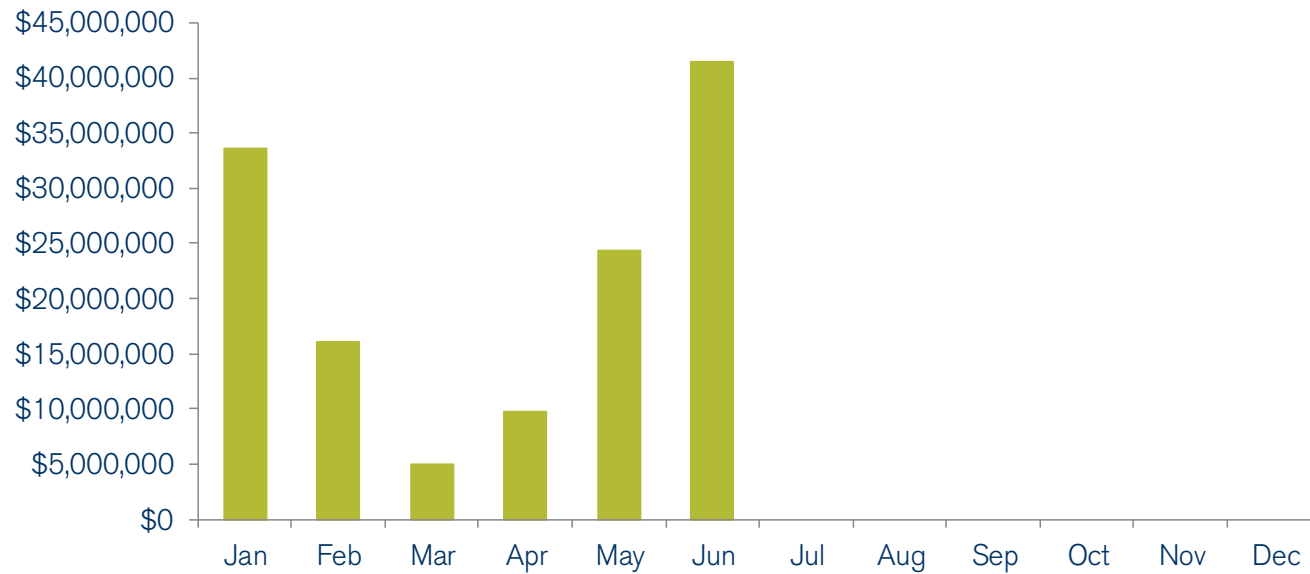


# Historical Member Overnight Deposits



# 2018 Average Monthly Member Borrowings

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# IRR | Net Economic Value (NEV)

NEV Testing Results   May 2018						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$70,116,535	+ \$341,492	+ 0.49%	12.35%	Minimum Ratio - 2%	PASS
					Max % Change - (15%)	PASS
Base Case	\$69,775,043	-	-	12.30%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$68,697,327	(\$1,077,716)	(1.55%)	12.14%	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 June 2018, is \$3,530,646
- Retained Earnings ratio is 2.44% as of June 2018 versus 1.77%, one year ago
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate's June 2018 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 2.44% | Minimum requirement – 1.00%
  - Tier 1 Capital Ratio – 6.70% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 47.6% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 81.2% | Minimum Requirement – 8.00%
  - GAAP Capital – 11.38%





# Board Meeting Recap

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## Board of Director's Meeting – July 27, 2018

- Approved June 2018 Financial Statements & Committee Reports
- Approved May 2018 Net Economic Value (NEV) Reports
- Reviewed the 2018 2Q Measures and Targets from Millennium's Strategic Plan
- Reviewed the Operational Survey that will be sent to the membership in August
- Received updates on the following initiatives from management..
  - Discussion on the positive impact on future Tier 1 Capital levels once the Retained Earnings Ratio exceeds 2.50%
  - Upcoming Alliance of Corporate CU meetings with the NCUA staff and both NCUA Board members
  - Quarterly financial update and corporate credit union data and trends
  - Update on rate changes made after recent FOMC meeting
  - July PCC rate will be 2.35% - 0.44% higher than the fed funds effective for the month of July



# Credit Committee Recap

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## Credit Committee Meeting – July 10, 2018

- The Committee reviewed and approved 47 lines-of-credit
- Committee reviewed the Monitor Report
- Canceled three lines-of-credit
- Current Advised LOC status – 258 Lines/\$691.9 million
- Next meeting – October 22, 2018



# August 2018

## Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
30	31	1	2	3
6 CUBG National Conference   Portland, OR	7 CUBG National Conference   Portland, OR	8 CUBG National Conference   Portland, OR	9	10
13	14	15 HCUA KC Small CU Roundtable   Sponsored by Millennium Corporate	16 Millennium Corporate/HCUA Summer Meeting	17 Millennium Corporate ALCO & Board Meetings
20 Millennium Corporate Supervisory Committee Mtg.	21	22	23	24
27	28	29	30	31