



# Membership Report | August 2019

# Agenda

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- Financial Commentary
  - 2019 Budget/Actual Net Income
  - Actual/Budget Variance
  - Total Managed Assets – On- & Off-Balance Sheet
- Liquidity Commentary
  - Historical Member Overnight Deposits
  - 2019 Average Monthly Member Borrowings
- Interest Rate Risk/Net Economic Value Report – June 2019
- Capital Commentary
- Board Meeting Recap
- Supervisory Committee Recap
- Credit Committee Recap
- Calendar of Events – September 2019



## Financial Commentary

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Net Income for July was \$264,758, under budget by \$46,990 or 15.1% for the month. Net interest income was \$67,540 or 10.9% under budget due to higher rates paid and the budget included a rate increase at mid-month versus a rate decrease. Non-interest income was less than budget \$8,312 or 2.1% due primarily to financial services income. Operating expenses were lower than budget by \$24,322 or 4.4% due primarily to salaries, financial services, travel and conferences. CUSO income was right at budget. Other gains/losses and PCC dividends were under budget by \$4,603 or 3.3%. The year-to-date coverage ratio (fee income/operating expenses) is 72.2%, slightly higher than the goal of 71.7%.

Return on Assets (ROA) is in-line with the budget as the year-to-date ROA after June is 51.0 bps on average assets of \$723.1 million for the first seven months 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 \$645.3 million at the end of July, an increase of \$10.7 million from the previous month.

Millennium Corporate is defined as “Well Capitalized” and we ended the month with Retained Earnings of \$18,651,781, representing a Retained Earnings ratio of 2.89% and a Tier 1 ratio of 10.85%.



# 2019 Budget/Actual Net Income



## YTD Actual/Budget Variance | Dollars

July 2019   YTD <i>(In Thousands)</i>	Actual 2019	Budget 2019	Variance
Net Interest Income	\$4,183.2	\$4,039.5	\$143.7
+ Non-Interest Income	\$2,822.2	\$2,825.2	(\$3.0)
- Operating Expenses	\$3,909.9	\$3,964.1	\$54.2
= Net Operating Income	\$3,095.5	\$2,900.6	\$194.9
+ CUSO Gains/Losses	\$44.9	\$45.5	(\$0.6)
- Potential Patronage Rebate	\$87.5	\$87.5	\$0.0
- PCC Dividends	\$904.1	\$922.4	\$18.3
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$2,148.8	\$1,936.2	\$212.6

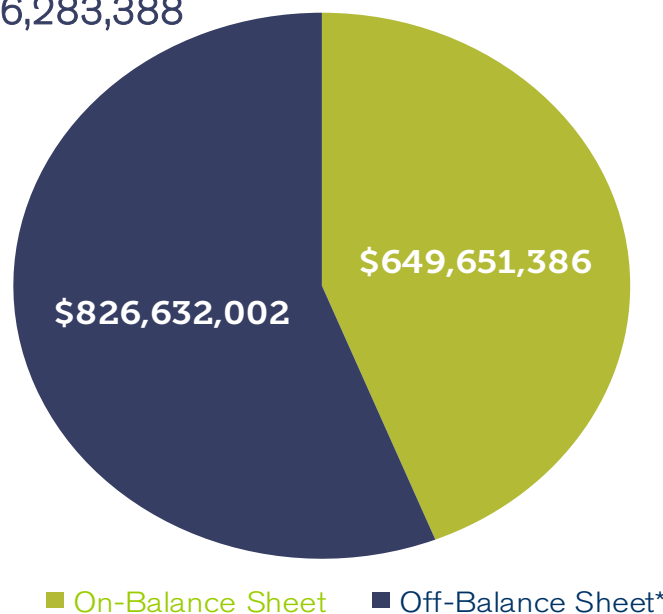


# Total Assets | On- and Off-Balance Sheet

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July 2019

Total Managed Assets - \$1,476,283,388



## Liquidity Commentary

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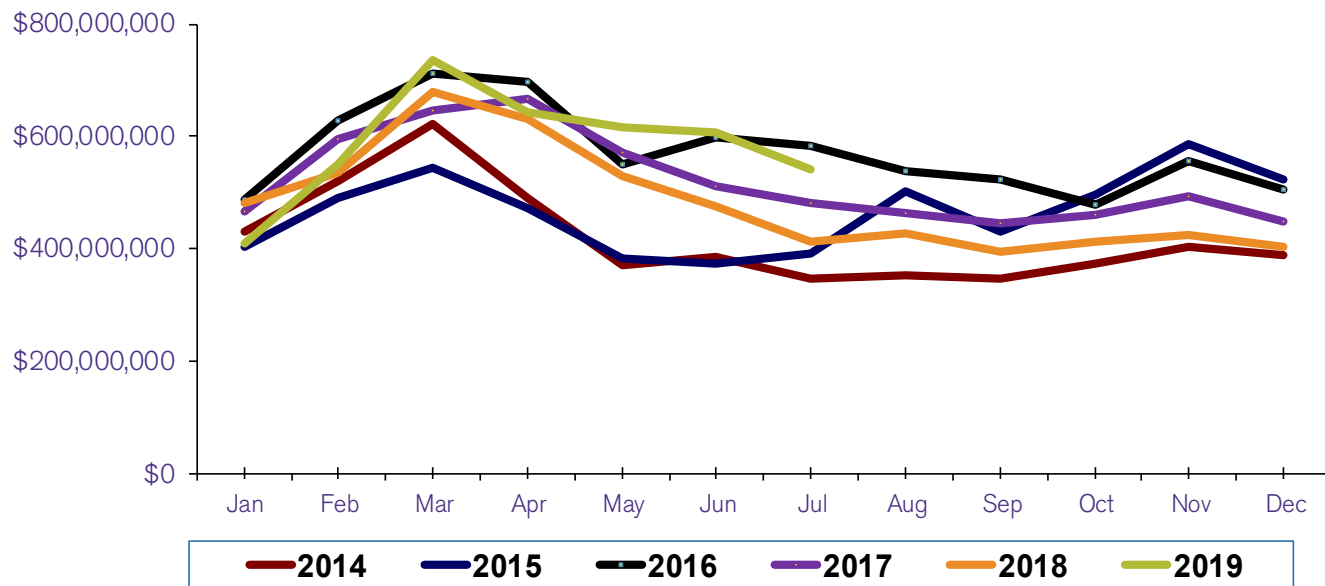
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in July 2019. Millennium Corporate currently has a Collateralized LOC of \$241.0 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Loan balances averaged \$24.9 in May; averaged \$25.6 in June; averaged \$26.4 million in July and have averaged \$36.1 million during most of August.
- July 2019 month-end figures show SimpliCD issuance totals of \$157.2 million and 25 users of this liquidity option.

*Graphical representations of the seasonal activity of member overnight deposits since 2014, and average member borrowing activity for 2019 follow this commentary.*



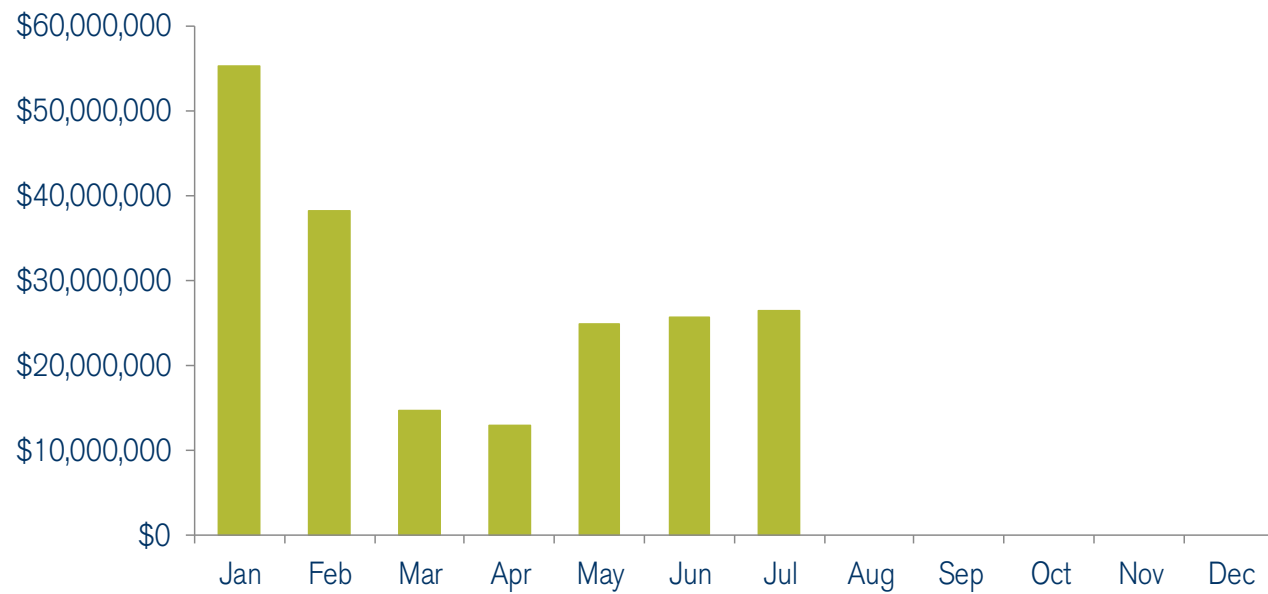
# Historical Member Overnight Deposits





# 2019 Average Monthly Member Borrowings

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# IRR | Net Economic Value (NEV)

NEV Testing Results   May 2019						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$74,010,481	+ \$540,541	+ 0.74%	9.07%	Minimum Ratio - 2%	PASS
					Max % Change - (15%)	PASS
Base Case	\$73,469,940	-	-	9.01%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$72,757,164	(\$712,776)	(0.97%)	8.94%	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 July 2019, is \$3,598,514
- Retained Earnings ratio is 2.89% as of July 2019 versus 2.49%, one year ago
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate's July 2019 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 2.89% | Minimum requirement – 1.00%
  - Tier 1 Capital Ratio – 10.85% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 90.99% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 90.99% | Minimum Requirement – 8.00%
  - GAAP Capital – 11.19%



# Board Meeting Recap

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## Board of Director's Meeting – August 22, 2019

- Approved July 2019 Financial Statements & Committee Reports
- Approved June 2019 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management..
  - Activities of the Corporate CU Alliance in the past month
  - Preparation for a KDCU/NCUA targeted review of BSA/AML/OFAC scheduled for September 3-6
  - Gearing for the Heartland CU Association annual meeting events and Montana's CUs CEO Roundtable
  - Update on the hiring of two new Business Development Associates
  - Discussed FOMC rate changes and reviewed competitiveness of Millennium rates after the FOMC changes – Millennium rates are still in the top two of all corporates
  - Millennium is hosting “LoanStreet” webinar for our members on September 24<sup>th</sup> at 2:00 PM CST
  - Management is preparing for our planning session on September 19-20
  - Board reviewed the June 2019 corporate credit union call report data
  - August PCC rate will be 2.65% - 0.54% higher than the fed funds effective



# Board Meeting Recap

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## Reviewed the financial results of our CUSO investments...

- Primary Financial Company, LLC (SimpliCD) had net income of \$295,380 for the first half of 2019. The company has total equity of \$20.5 million, representing an equity ratio of 45.9% as of June 2019. Millennium's current ownership percentage is 12.0%. Millennium ended June with outstanding SimpliCD balances of \$502.8 million and SimpliCD issuance of \$167.3 million, an option used by Millennium members to generate additional liquidity.
- CU Business Group, LLC (CUBG) had net income of \$15,631 for the first half of 2019. Total equity is \$2.6 million representing an equity ratio of 66.6% as of June 2019. Currently, twenty-seven Millennium members utilize CUBG services. Millennium's current ownership percentage is 4.41%.
- CU Investment Solutions, LLC (ISI) had net income of \$105,801 – an improvement from a \$390,757 loss one-year ago. ISI's fiscal year runs from October 2018 through September 2019. As of June 2019, ISI had retained earnings of \$426,388, reflecting an equity ratio of 26.6%. Millennium's current ownership percentage is 25.0%.
- CULedger Heartland, LLC – initial investment was made in December 2018 and Millennium's total investment was \$19,731 representing ownership of 7.69%.



# Board Meeting Recap

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## Board of Director's Meeting – August 22, 2019

- In the spirit of Millennium's Statement of Values like Leadership, Commitment, Cooperation, Enthusiasm and Excellence, Board and Management felt it was important to support the national "Open Your Eyes" campaign. In previous meetings with CUNA representatives about the initiative an appropriate contribution for corporate CUs was discussed and decided upon, three-days earnings. Millennium recognizes our core states by guaranteeing board representation and since this is a national campaign by CUNA and our League partners an equal amount would be contributed to the core states. As a result, the Board approved the unbudgeted expense to the "Open Your Eyes" campaign for the Heartland CU Association for \$16,250; Nebraska CU League for \$8,125; and Montana's Credit Unions for \$8,125, when and, if they launch the campaign.



# Supervisory Committee Recap

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## Supervisory Committee Meeting – August 26, 2019

- The Committee reviewed the risk assessments for Western Union Business Systems and ACH.
- The Committee reviewed the Brinks (Kansas City) Internal Audit.
- Committee reviewed the semi-annual Security Program Board Report.
- The Committee discussed the results of the Automated Cybersecurity Examination Tool (ACET) examination by the NCUA and the KDCU.
- 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 – October 21, 2019



# Credit Committee Recap

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## Credit Committee Meeting – August 7, 2019

- The Committee reviewed and approved 44 lines-of-credit
- Committee reviewed the Monitor Report
- Canceled one line-of-credit due to a merger
- Current Advised LOC status – 249 Lines/\$794.5 million
- Next meeting – October 22, 2019





# September 2019

## Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
2 Labor Day – Millennium Offices Closed	3	4	5	6
9	10	11	12 HCUA Convention & Annual Meeting   KCMO	13 HCUA Convention & Annual Meeting   KCMO
16	17	18	19 Millennium Strategic Planning Session	20 Millennium ALCO & Board Meetings
23 CUBG National Conference – Savannah, GA	24 CUBG National Conference – Savannah, GA  Millennium – LoanStreet Webinar   2:00 PM CT	25	26	27
30	1	2	3	4