



# Membership Report | December 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 – October 2019
- Capital Commentary
- Board Meeting Recap
- Supervisory Committee Recap
- Credit Committee Recap
- Calendar of Events – January 2020



## Financial Commentary

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Net Income for November was \$283,440 exceeding budget by \$95,573 or 50.9% for the month. Net interest income was \$28,106 or 5.0% under budget due to the FOMC action of lowering the target fed funds rate which reduced our return on overnight funds. Non-interest income was more than budget by \$13,912 or 3.3% due primarily to a validation project. Operating expenses were under budget across the board by \$28,148 or 4.5%. CUSO income was positive compared to the budget which had forecasted a loss for the month. PCC dividends were under budget by \$49,052 or 34.4% due to the lower rate environment. The year-to-date coverage ratio (fee income/operating expenses) is 72.4%, higher than the goal of 71.7%.

Return on Assets (ROA) is lower than the budget as the year-to-date ROA through November is 49.8 bps on average assets of \$732.2 million for the first eleven 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 \$716.2 million at the end of November, an increase of \$24.3 million from the previous month.

Millennium Corporate is defined as “Well Capitalized” and we ended the month with Retained Earnings of \$19,847,413, representing a Retained Earnings ratio of 2.77% and a Tier 1 ratio of 9.94%.



# 2019 Budget/Actual Net Income



## YTD Actual/Budget Variance | Dollars

November 2019   YTD <i>(In Thousands)</i>			
	Actual 2019	Budget 2019	Variance
Net Interest Income	\$6,306.9	\$6,331.4	(\$24.5)
+ Non-Interest Income	\$4,451.9	\$4,443.6	\$8.3
- Operating Expenses	\$6,147.8	\$6,232.4	\$84.6
= Net Operating Income	\$4,611.0	\$4,542.6	\$68.4
+ CUSO Gains/Losses	\$55.7	\$5.0	\$50.7
- PCC Dividends	\$1,334.7	\$1,488.6	\$153.9
- Other Losses	\$12.5	\$137.5	\$150.0
= Net Income	\$3,344.5	\$2,921.5	\$423.0

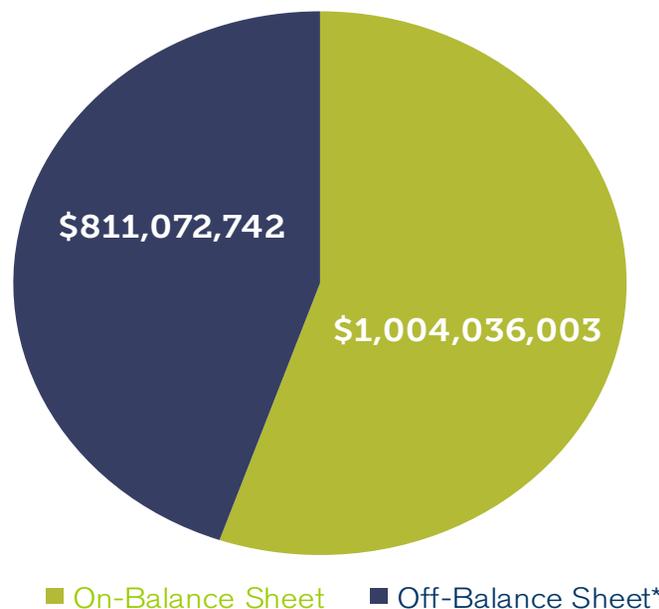


# Total Assets | On- and Off-Balance Sheet

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**November 2019**

Total Managed Assets - \$1,815,108,745



## Liquidity Commentary

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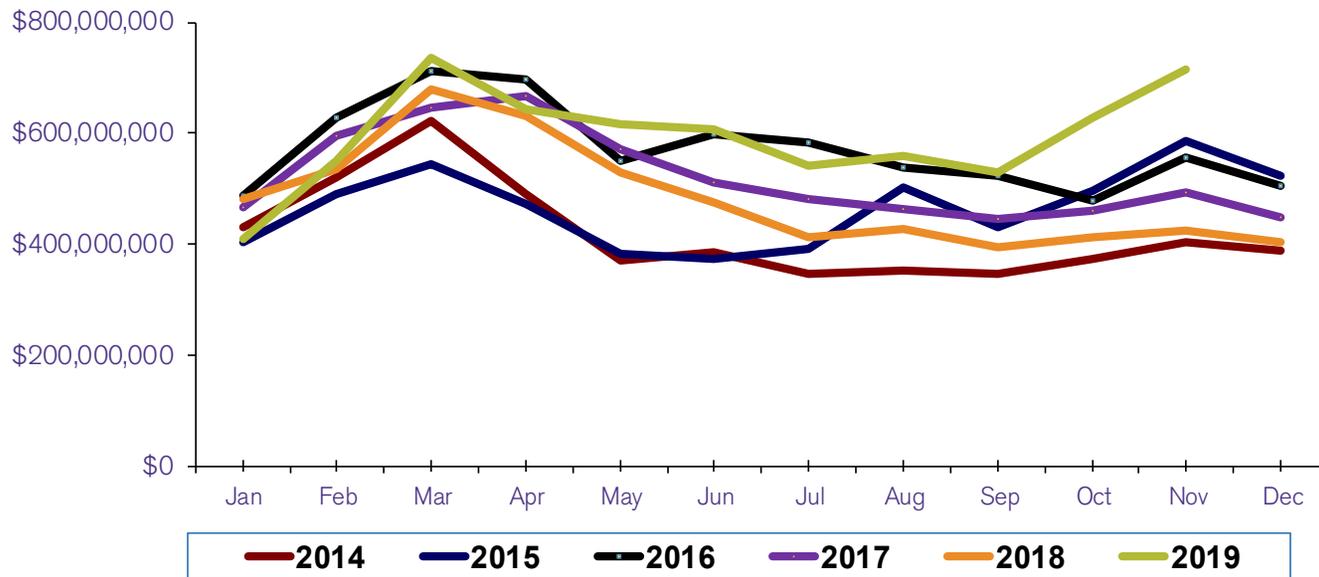
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in November 2019. Millennium Corporate currently has a Collateralized LOC of \$278.5 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Loan balances averaged \$40.5 million in September; averaged \$24.1 million in October; averaged \$20.1 million in November and have averaged \$22.4 million during most of December.
- November 2019 month-end figures show SimpliCD issuance totals of \$125.5 million and 24 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.*

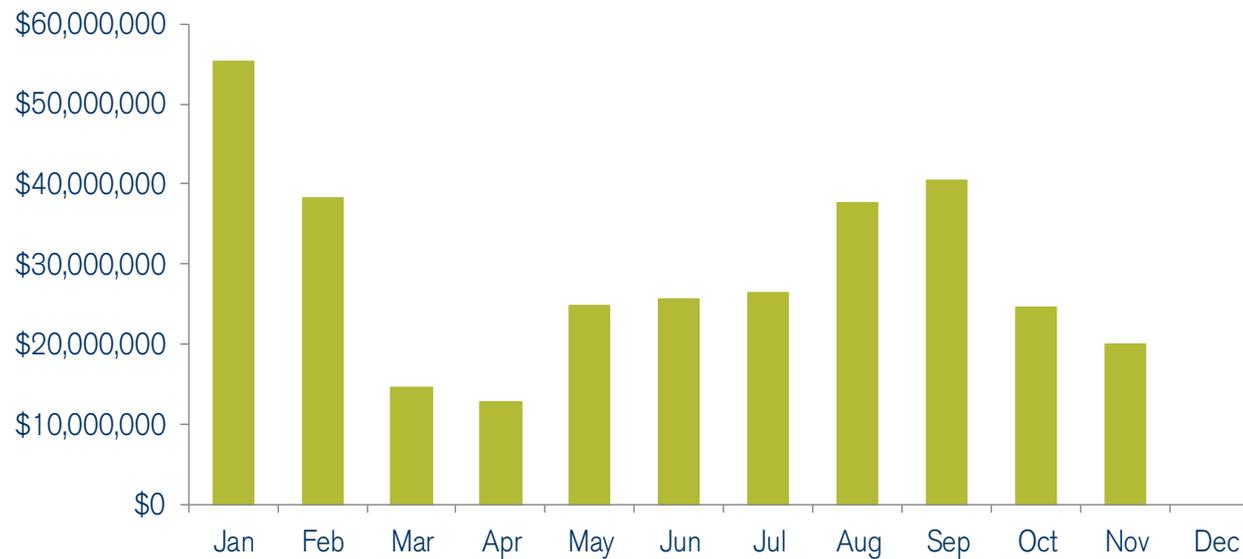


# Historical Member Overnight Deposits



# 2019 Average Monthly Member Borrowings

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# IRR | Net Economic Value (NEV)

NEV Testing Results   October 2019						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$74,910,162	+ \$544,613	+ 0.73%	9.61%	Minimum Ratio - 2%	PASS
					Max % Change - (15%)	PASS
Base Case	\$74,365,549	-	-	9.55%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$73,714,291	(\$651,258)	(0.88%)	9.48%	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 November 2019, is \$3,674,577
- Retained Earnings ratio is 2.77% as of November 2019 versus 2.73%, one year ago
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate's November 2019 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 2.77% | Minimum requirement – 1.00%
  - Tier 1 Capital Ratio – 9.94% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 85.39% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 85.39% | Minimum Requirement – 8.00%
  - GAAP Capital – 10.34%



# Board Meeting Recap

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## Board of Director's Meeting – December 19, 2019

- Approved November 2019 Financial Statements & Committee Reports
- Approved October 2019 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management..
  - Received and discussed the formal report from KDCU/NCUA regarding the targeted review of Bank Secrecy Act/Anti-Money Laundering (BSA/AML) and Office of Foreign Assets Control (OFAC)
  - Update on recent Corporate CU Alliance meeting with NCUA/Federal Reserve Bank representatives
  - Efforts to increase business development and overall presence in MT and Dakotas region, hired Kara Connors, who has worked in the CU industry since 2003
  - Finalized sublease of our new office space with Heartland CU Association
  - Supervisory Committee reviewed and approved the 2020 insurance coverages
  - Audit fieldwork scheduled for January 13-17 in Wichita and February 10-14 in St. Louis
  - Discussed the recent FOMC rate changes and reviewed competitiveness of Millennium rates – Millennium overnight rates remain the highest of all other corporates
  - December PCC rate will be 2.10% - 0.55% higher than the fed funds effective



# Board Meeting Recap

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## Board of Director's Meeting – December 19, 2019

- The Board approved Millennium's Liquidity Plan. The plan must evaluate the potential liquidity needs of its membership in a variety of economic scenarios; regularly monitor and demonstrate accessibility to sources of internal and external liquidity; keep a sufficient amount of cash to support its payment system obligations; demonstrate that the accounting classification of investment securities is consistent to meet potential liquidity demands; and develop a contingency funding plan that addresses alternative funding strategies in successively deteriorating liquidity scenarios.
- Steve Borchers, Millennium's independent risk expert, presented and the Board approved, both the quarterly and annual ERM Board Report accepting the current residual risk level of \$1,181,613, which is 6.04% of the October 2019 Retained Earnings of \$19,563,973.
- The 2020 audit plan letter was provided to the Board. The letter details the objectives of the financial audit and the audit of internal controls over financial reporting. The letter further describes Millennium Corporate's responsibilities; the auditor's responsibilities; the scope of the audit; areas of emphasis; communication of significant findings and the audit timetable. The auditors will issue a written report upon completion of the integrated audit.



# Supervisory Committee Recap

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## Supervisory Committee Meeting – December 9, 2019

- The Committee reviewed the risk assessment for wire transfer and wire callback thresholds
- The Committee reviewed the Brinks cash count for the St. Louis vault
- The Juniper Payments Contract Internal Audit was reviewed for cybersecurity plans and procedures – it was recommended to request an updated contract, reviewing for cybersecurity updates and notifications
- Committee accepted the results of the ACH recovery test held on November 5<sup>th</sup>
- The findings from the targeted review of BSA/AML/OFAC by KDCU/NCUA were reported to the Committee
- Supervisory Committee reviewed and approved the 2020 insurance coverages
- 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 – February 18, 2020



# Credit Committee Recap

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## Credit Committee Meeting – December 11, 2019

- The Committee reviewed and approved 43 lines-of-credit
- Committee reviewed the Monitor Report and added two members to the Monitor Report
- Canceled two lines-of-credit due to mergers and one line at request of the credit union
- Current Advised LOC status – 246 Lines/\$830.5 million
- Next meeting – February 12, 2020



# January 2020

## Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
30	31	1 New Year's Day! Millennium Offices Closed	2	3
6	7	8	9	10
13	14	15	16	17
20 Martin Luther King, Jr.'s Birthday   Millennium Offices Closed	21	22	23 Millennium Corporate Board & ALCO Meetings   Topeka, KS	24
27 Millennium Corporate ERM Committee Meeting	28	29	30	31