



# Membership Report | November 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 – September 2019
- Capital Commentary
- Board Meeting Recap



## Financial Commentary

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Net Income for October was \$291,378 exceeding budget by \$34,693 or 13.5% for the month. Net interest income was \$54,695 or 9.8% 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 less than budget by \$17,920 or 4.2% due primarily to lower financial services income. Operating expenses were above budget by \$67,820 or 12.3% due primarily to accruals for salaries, 2020 annual meeting and conference expenses. CUSO loss was lower than budget by \$10,992 as a loss was budgeted for the month. Other events included the reversal of a previously accrued potential rebate, and PCC dividends were under budget by \$39,136 or 26.6% due to the lower rate environment. The year-to-date coverage ratio (fee income/operating expenses) is 72.3%, higher than the goal of 71.7%.

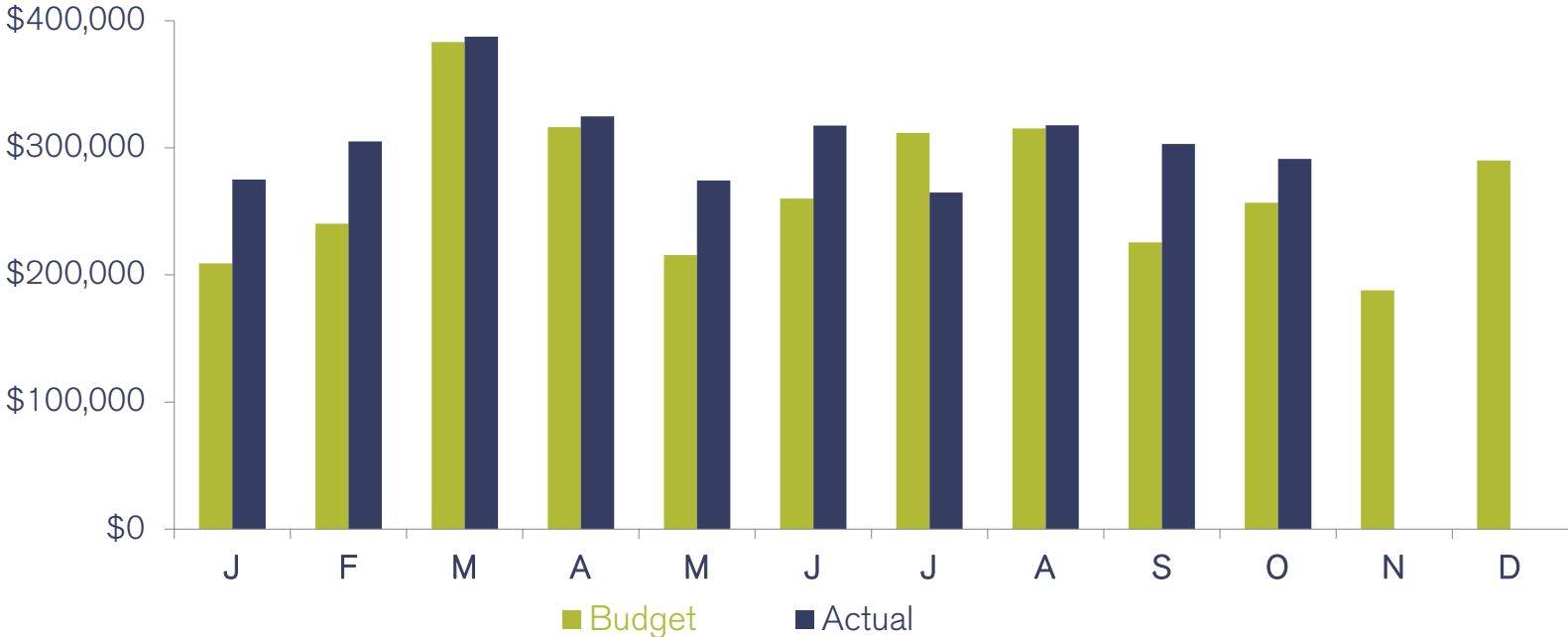
Return on Assets (ROA) is lower than the budget as the year-to-date ROA through October is 50.9 bps on average assets of \$720.8 million for the first ten months of the year.

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 \$691.9 million at the end of October, an increase of \$18.8 million from the previous month.

Millennium Corporate is defined as "Well Capitalized" and we ended the month with Retained Earnings of \$19,563,973 representing a Retained Earnings ratio of 2.83% and a Tier 1 ratio of 10.25%.



# 2019 Budget/Actual Net Income



## YTD Actual/Budget Variance | Dollars

| October 2019   YTD<br><i>(In Thousands)</i> |             |             |          |
|---|-------------|-------------|----------|
|   | Actual 2019 | Budget 2019 | Variance |
| Net Interest Income                         | \$5,774.3   | \$5,770.8   | \$3.5    |
| + Non-Interest Income                       | \$4,018.5   | \$4,024.1   | (\$5.6)  |
| - Operating Expenses                        | \$5,554.2   | \$5,610.7   | \$56.5   |
| = Net Operating Income                      | \$4,238.6   | \$4,184.2   | \$54.4   |
| + CUSO Gains/Losses                         | \$51.1      | \$20.5      | \$30.6   |
| - PCC Dividends                             | \$1,241.1   | \$1,346.0   | \$104.9  |
| - Other Losses                              | \$12.5      | \$125.0     | \$137.5  |
| = Net Income                                | \$3,061.1   | \$2,733.6   | \$327.5  |

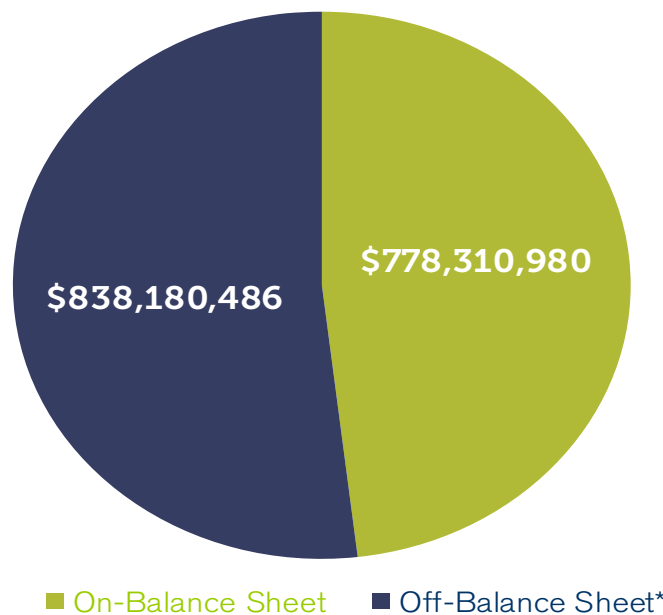


# Total Assets | On- and Off-Balance Sheet

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October 2019

Total Managed Assets - \$1,616,491,466



# Liquidity Commentary

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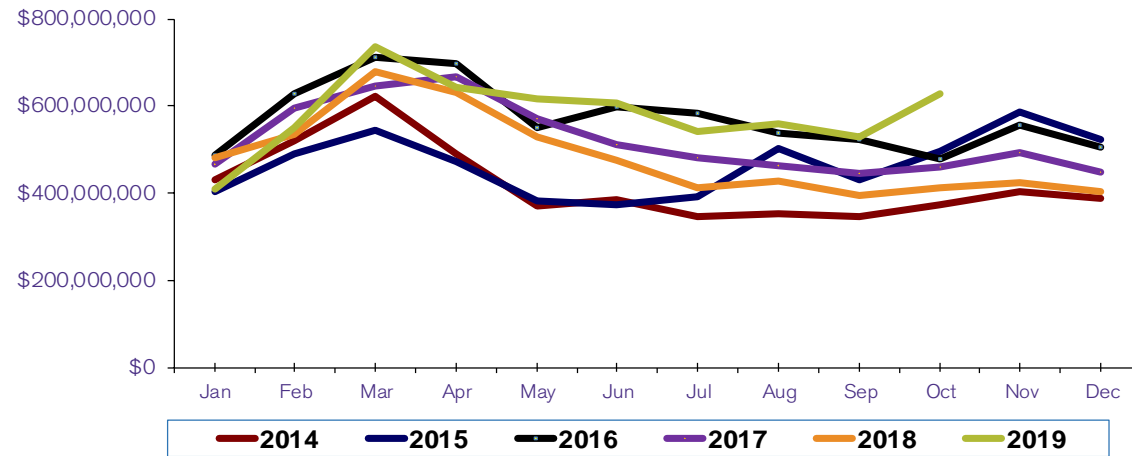
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in October 2019. Millennium Corporate currently has a Collateralized LOC of \$268.5 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Loan balances averaged \$37.7 million in August; averaged \$40.5 million in September; averaged \$24.1 million in October and have averaged \$20.6 million during most of November.
- October 2019 month-end figures show SimpliCD issuance totals of \$139.6 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.*



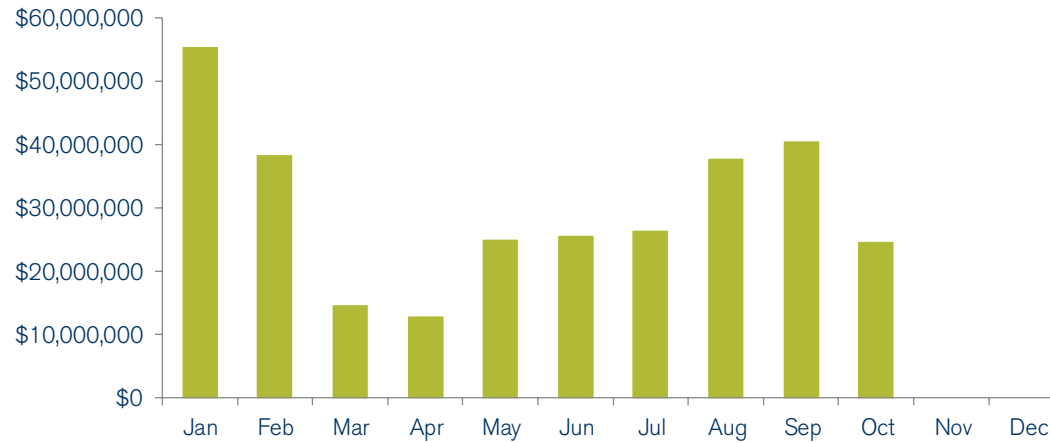
# Historical Member Overnight Deposits





# 2019 Average Monthly Member Borrowings

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## IRR | Net Economic Value (NEV)

| NEV Testing Results   September 2019 |                          |                   |                       |           |                      |           |
|--------------------------------------|--------------------------|-------------------|-----------------------|-----------|----------------------|-----------|
|                                      | Net Economic Value (NEV) | NEV Dollar Change | NEV Percentage Change | NEV Ratio | Reg. Limits          | Pass/Fail |
| -300 bps Increase in Interest Rates  | \$74,8442,162            | + \$648,962       | + 0.88%               | 10.19%    | Minimum Ratio - 2%   | PASS      |
|                                      |                          |                   |                       |           | Max % Change - (15%) | PASS      |
| Base Case                            | \$74,193,200             | -                 | -                     | 10.11%    | Minimum Ratio - 2%   | PASS      |
| +300 bps Increase in Interest Rates  | \$73,585,128             | (\$608,072)       | (0.82%)               | 10.05%    | 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 September 2019, is \$3,634,981
- Retained Earnings ratio is 2.83% as of October 2019 versus 2.68%, one year ago
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate's September 2019 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 2.83% | Minimum requirement – 1.00%
  - Tier 1 Capital Ratio – 10.25% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 87.53% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 87.53% | Minimum Requirement – 8.00%
  - GAAP Capital – 10.66%



# Board Meeting Recap

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## Board of Director's Meeting – November 21, 2019

- Approved October 2019 Financial Statements & Committee Reports.
- Approved September 2019 Net Economic Value (NEV) Reports.
- Received updates on the following initiatives from management...
  - Update on 2020 sponsorship opportunities and renewing our CUNA Associate Business Membership
  - Millennium Nov 7<sup>th</sup> comment letter to the Federal Reserve Bank (FRB) on all aspects of the new FedNow Service - FRB received 189 comment letters from the financial industry
  - Update on Nov 18-19<sup>th</sup> Corporate CU Alliance meeting with NCUA/Federal Reserve Bank representatives
  - June 2019 market share of KS, MO, MT and NE was 20.1% - up from 18.0% at December 2018. Overall liquidity (investable funds) has been declining the past five years and that trend has been reversed.
  - Discussed the recent and anticipated FOMC rate changes and reviewed competitiveness of Millennium rates – Millennium overnight rates remain the highest of all other corporates
  - Reviewed September 2019 corporate call report data
  - November PCC rate will be 2.10% - 0.55% higher than the fed funds effective



# Board Meeting Recap

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## Reviewed the financial results of our CUSO investments as of September 2019...

- Primary Financial Company, LLC (SimpliCD) had net income of \$430,248 through September 2019. The company has total equity of \$20.5 million, representing an equity ratio of 45.7%. Millennium's current ownership percentage is 12.0%. Millennium ended September with outstanding SimpliCD balances of \$483.7 million and SimpliCD issuance of \$161.6 million, an option used by Millennium members to generate additional liquidity.
- CU Business Group, LLC (CUBG) had net income of \$135,558 through September 2019. Total equity is \$2.7 million representing an equity ratio of 66.1% as of September 2019. Currently, twenty-seven Millennium members utilize CUBG services contributing \$133,728 to CUBG (4<sup>th</sup> highest of owners). Millennium's current ownership percentage is 4.41%.
- CU Investment Solutions, LLC (ISI) had net income of \$218,139 – an improvement from a \$509,708 loss one-year ago. ISI's fiscal year runs from October 2018 through September 2019. As of September 2019, ISI had retained earnings of \$538,726, reflecting an equity ratio of 25.1%. We will recognize a gain of approximately \$54,500 when the audit is finalized in the 4<sup>th</sup> quarter. 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 – November 21, 2019

- By regulation, the Board of Directors is required to approve written policies commensurate with the scope and complexity of the corporate credit union and is required to review them annually. After reviewing the policy changes made in the past year, the Board approved the 2019 annual Policy Manual review.

