



Membership Report | October 2019

Agenda

- Financial Commentary
 - 2019 Budget/Actual Net Income
 - Actual/Budget Variance
 - Total Managed Assets – On- & Off-Balance Sheet
- 3Q Financial Review
 - Non-Interest Income Trends
 - Operating Expense Trends
 - Coverage Ratio
- Liquidity Commentary
 - Historical Member Overnight Deposits
 - 2019 Average Monthly Member Borrowings
- Interest Rate Risk/Net Economic Value Report – August 2019
- Capital Commentary
- Board Meeting Recap
- Supervisory Committee Recap
- Credit Committee Recap
- Calendar of Events – November 2019



Financial Commentary

Net Income for September was \$303,066 over budget by \$77,520 or 34.4% for the month. Net interest income was \$3,965 or 0.7% 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 \$20,361 or 2.2% due primarily to lower commission income. Operating expenses were lower than budget by \$32,954 or 6.0% due primarily to salaries and lower travel and conference expenses. CUSO income was higher than budget by \$21,198 as a loss was budgeted for the month. Other gains/losses and PCC dividends were under budget by \$31,229 or 22.6% due to lower rate environment. The year-to-date coverage ratio (fee income/operating expenses) is 73.2%, higher than the goal of 71.7%.

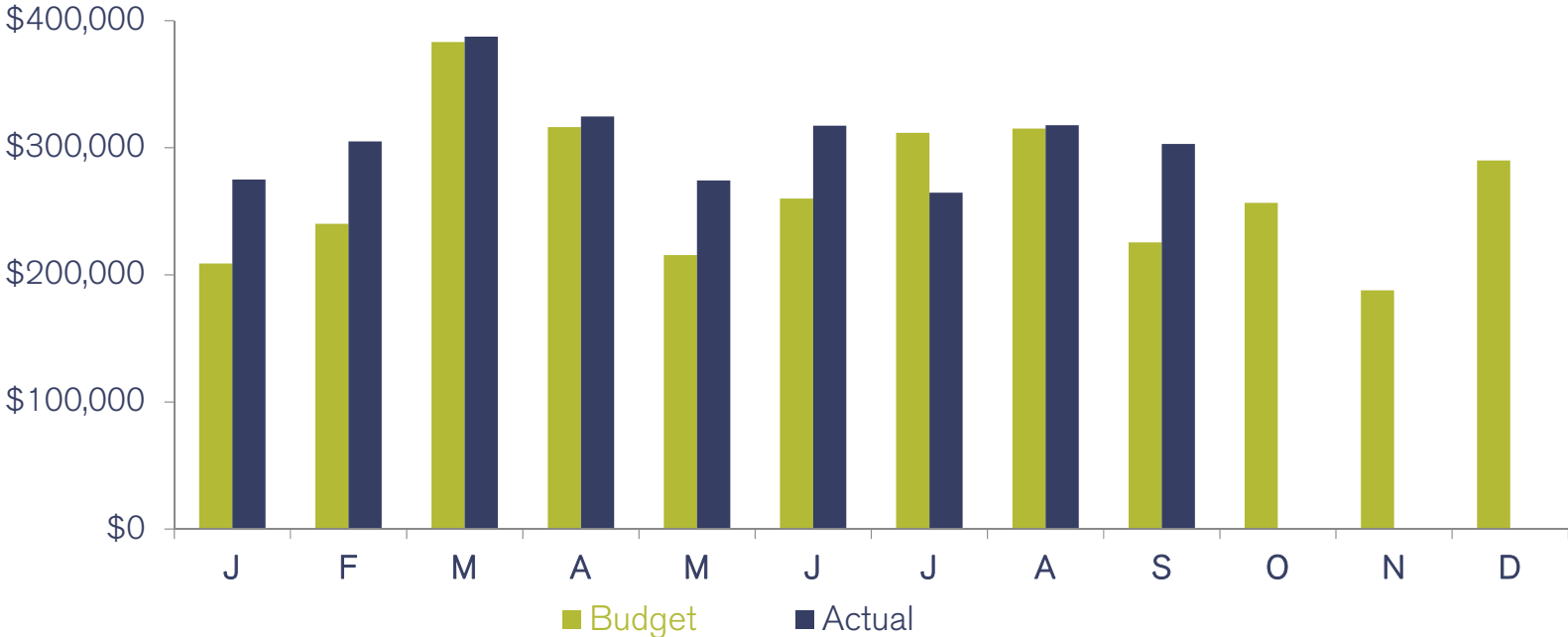
Return on Assets (ROA) is lower than the budget as the year-to-date ROA after September is 51.5 bps on average assets of \$716.9 million for the first nine months of the year.

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 \$673.1 million at the end of September, an increase of \$17.2 million from the previous month.

Millennium Corporate is defined as "Well Capitalized" and we ended the month with Retained Earnings of \$19,272,595, representing a Retained Earnings ratio of 2.86% and a Tier 1 ratio of 10.49%.



2019 Budget/Actual Net Income



YTD Actual/Budget Variance | Dollars

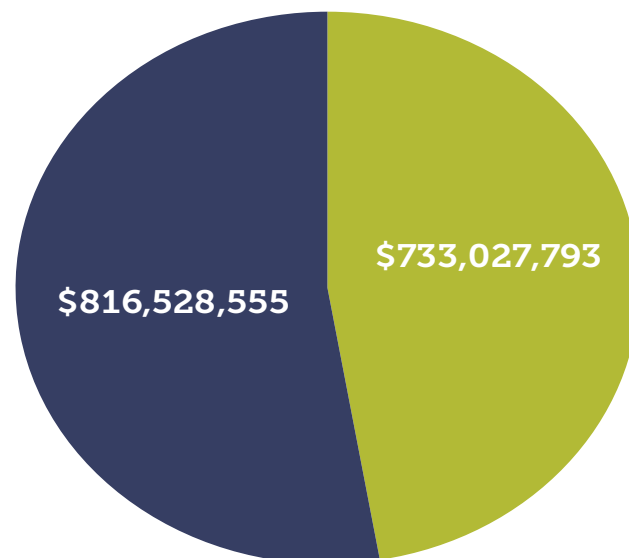
September 2019 YTD <i>(In Thousands)</i>	Actual 2019	Budget 2019	Variance
Net Interest Income	\$5,269.2	\$5,211.0	\$58.2
+ Non-Interest Income	\$3,614.4	\$3,602.1	\$12.3
- Operating Expenses	\$4,936.7	\$5,061.0	\$124.3
= Net Operating Income	\$3,946.9	\$3,752.1	\$194.8
+ CUSO Gains/Losses	\$55.7	\$36.0	\$19.7
- Potential Patronage Rebate	\$100.0	\$112.5	\$12.5
- PCC Dividends	\$1,133.0	\$1,198.7	\$65.7
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$2,769.7	\$2,476.9	\$292.7



Total Assets | On- and Off-Balance Sheet

September 2019

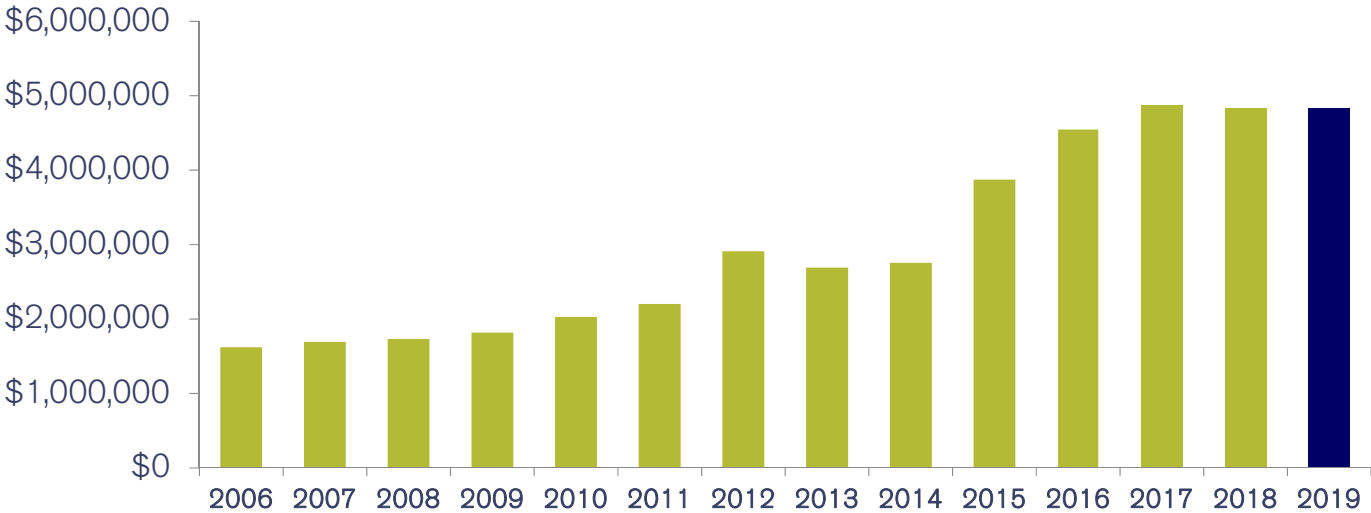
Total Managed Assets - \$1,549,556,348



■ On-Balance Sheet ■ Off-Balance Sheet*



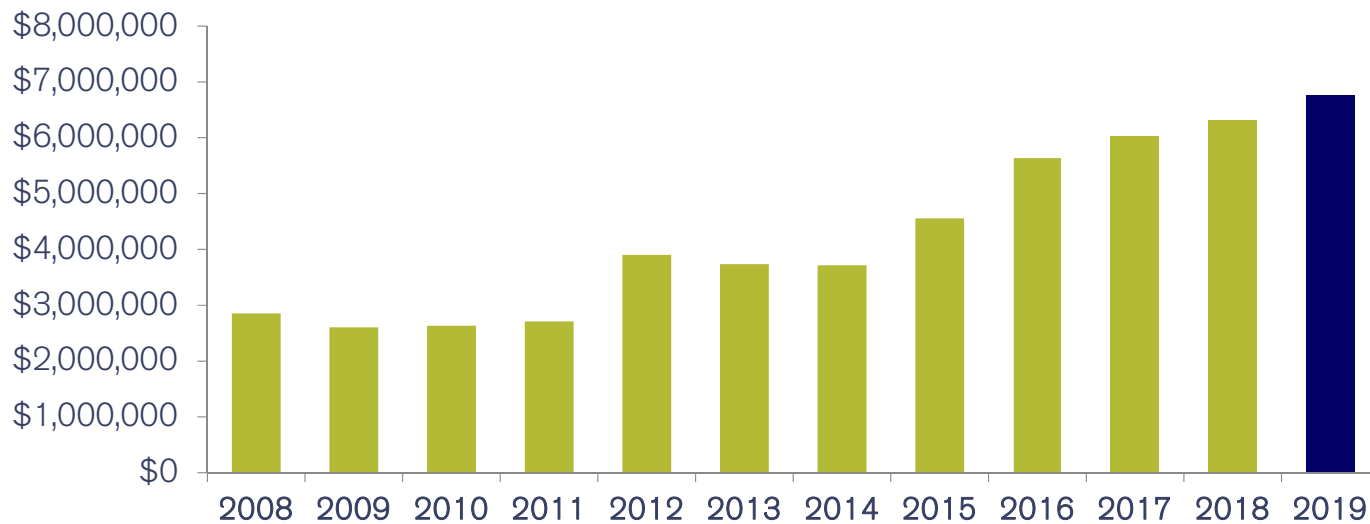
Annualized Non-Interest Income Trends



The 2019 budget projected only a slight increase in Non-Interest Income compared to the previous year. After the first nine months of the year, non-interest income is on pace to exceed the budget by 0.3%.



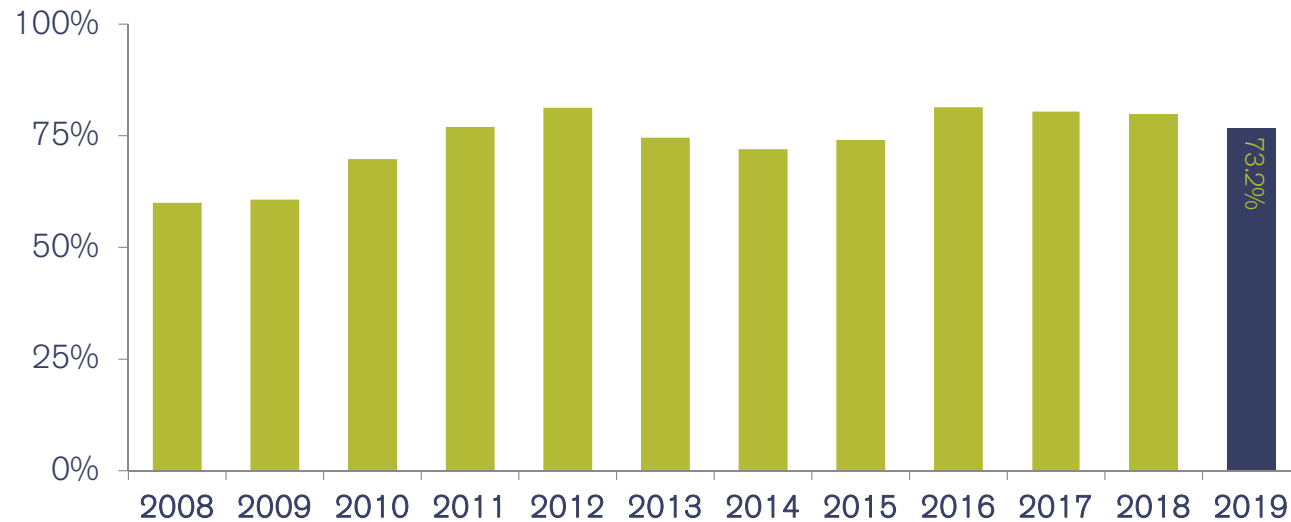
Annualized Operating Expense Trends



Operating Expenses are lower than budgeted due primarily to salaries and financial services – off-setting the higher promotion expenses for “Open Your Eyes Initiative” and AIM marketing. After the first nine months year, operating expenses are \$124,268 or 2.5% less than budget.



Coverage Ratio | Fee Income/Operating Expenses



The 2019 Coverage Ratio was budgeted to decline to 71.7% - for the first nine months of the year, the actual ratio was 73.2% due to lower operating expenses.



Liquidity Commentary

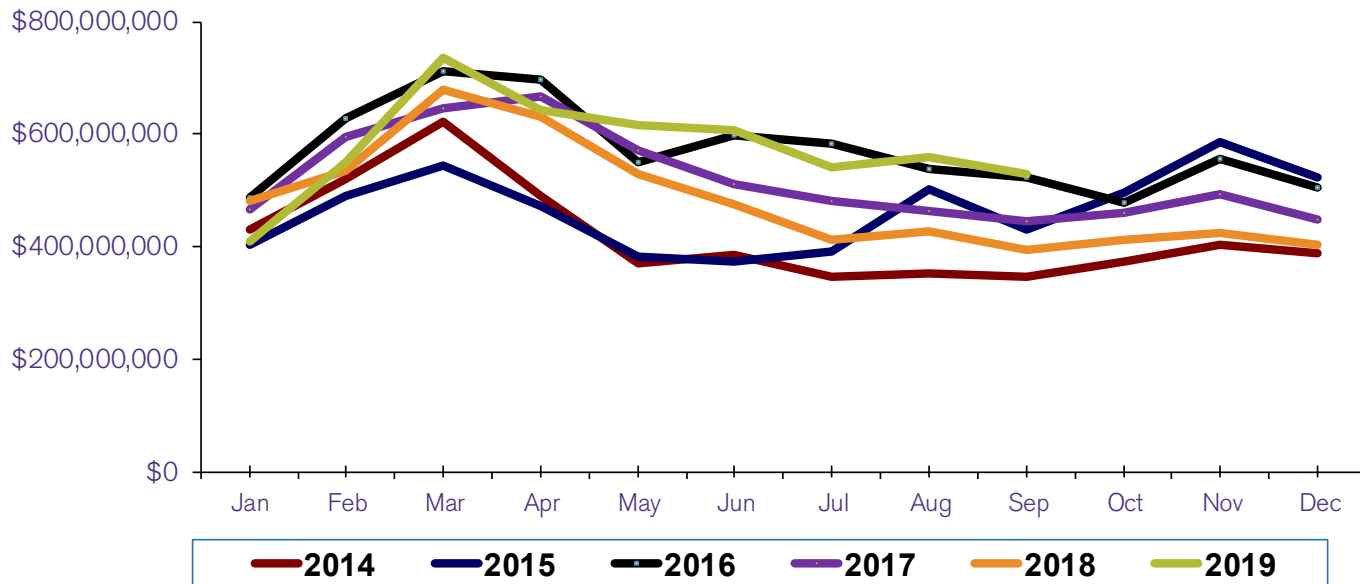
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in September 2019. Millennium Corporate currently has a Collateralized LOC of \$252.0 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Loan balances averaged \$26.4 million in July; averaged \$37.7 million in August; averaged \$40.5 million in September and have averaged \$23.6 million during most of October.
- September 2019 month-end figures show SimpliCD issuance totals of \$161.6 million and 24 users of this liquidity option.

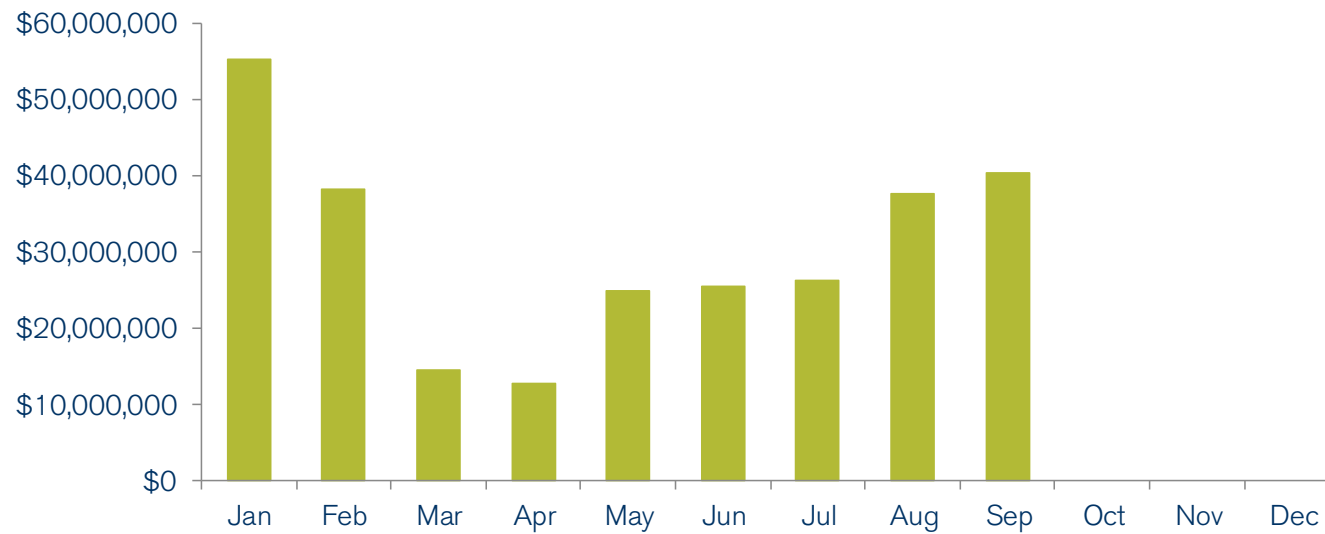
Graphical representations of the seasonal activity of member overnight deposits since 2014, and average member borrowing activity for 2019 follow this commentary.



Historical Member Overnight Deposits



2019 Average Monthly Member Borrowings



IRR | Net Economic Value (NEV)

NEV Testing Results August 2019						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$74,663,731	+ \$774,882	+ 1.05%	8.92%	Minimum Ratio - 2%	PASS
					Max % Change - (15%)	PASS
Base Case	\$73,888,849	-	-	8.84%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$72,888,924	(\$999,925)	(1.35%)	8.74%	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

- Increase to Retained Earnings during the past 12 months, through September 2019, is \$3,636,809
- Retained Earnings ratio is 2.86% as of August 2019 versus 2.61%, 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 – 2.86% | Minimum requirement – 1.00%
 - Tier 1 Capital Ratio – 10.49% | Minimum Requirement – 4.00%
 - Tier 1 Risk-Based Capital Ratio – 88.76% | Minimum Requirement – 4.00%
 - Total Risk-Based Capital Ratio – 88.76% | Minimum Requirement – 8.00%
 - GAAP Capital – 10.92%



Board Meeting Recap

Board of Director's Meeting – October 17, 2019

- Approved September 2019 Financial Statements & Committee Reports.
- Approved August 2019 Net Economic Value (NEV) Reports.
- Received updates on the following initiatives from management..
 - Staff participated in the Be Legit conference in MT and Millennium sponsored and attended Pints & Politics meetings throughout MO & KS
 - Update on next Corporate CU Alliance meeting with NCUA and the Federal Reserve Bank
 - Staff attended and participated in recent Epcor Payments Conference, CUBG board & planning meeting and ISI board & planning meetings
 - Discussed the recent and anticipated FOMC rate changes and reviewed competitiveness of Millennium rates – Millennium overnight rates remain the highest of all other corporates
 - 2109 ACH and BSA compliance audits have been completed
 - October PCC rate will be 2.35% - 0.51% higher than the fed funds effective



Board Meeting Recap

Board of Director's Meeting – October 17, 2019

- Based on discussions held during a recent KDCU/NCUA BSA review, management proposed and Board approved minor changes to Millennium's BSA/AML Policy and procedures. The changes were primarily in the reporting of cyber-enabled crime, cyber events on SARs and enhancing the annual BSA questionnaire.



Supervisory Committee Recap

Supervisory Committee Meeting – October 21, 2019

- The Committee reviewed the risk assessment for JP Morgan Chase/Catalyst safekeeping.
- The Committee reviewed the Investment & ALM Input/Reconciliation Internal Audit.
- Committee reviewed the results from the ACH and BSA audits that were recently completed by J. Tenbrink and Associates.
- The Committee discussed the results of the targeted review of BSA/AML/OFAC by KDCU/NCUA completed in early September.
- The Committee discussed two recent contingency exercises: remote data entry to the Symitar EASE system and a table top cybersecurity event hosted by the Financial Services Information Sharing and Analysis Center.
- 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 – December 9, 2019



Credit Committee Recap

Credit Committee Meeting – October 22, 2019

- The Committee reviewed and approved 54 lines-of-credit
- Committee reviewed the Monitor Report
- Canceled two lines-of-credit due to mergers and one line at request of the credit union
- Reviewed the semi-annual net worth ratio report
- Current Advised LOC status – 249 Lines/\$808.4 million
- Next meeting – December 11, 2019



November 2019

Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
28	29	30	31 Happy Halloween!	1
4	5	6	7	8
11 Veterans' Day – Offices Closed	12	13	14	15
18	19 HCUA Executive Summit – KCMO HCUA Pints & Politics - KCMO	20	21 Millennium ALCO & Board Meetings – Omaha, NE	22
25	26	27	28 Thanksgiving – Offices Closed	29