



# Membership Report | June 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 – April 2019
- Capital Commentary
- Board Meeting Recap
- Supervisory Committee Recap
- Calendar of Events – July 2019



## Financial Commentary

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Net Income for May was \$274,367, above budget by \$58,793 or 27.3% for the month. Net interest income was \$19,657 or 3.4% above budget due to the higher balances and investing some of the excess cash. Non-interest income was under budget \$9,401 or 2.2% due to lower commission income and lower financial services income. Operating expenses were lower than budget by \$45,365 or 7.1% due primarily to salaries, previously accelerated annual meeting accruals and lower travel expenses. CUSO income was under budget by \$1,432 or 23.9%. Other gains/losses and PCC dividends were all in line with expectations. The year-to-date coverage ratio (fee income/operating expenses) is 71.4%, slightly lower than the goal of 71.7%.

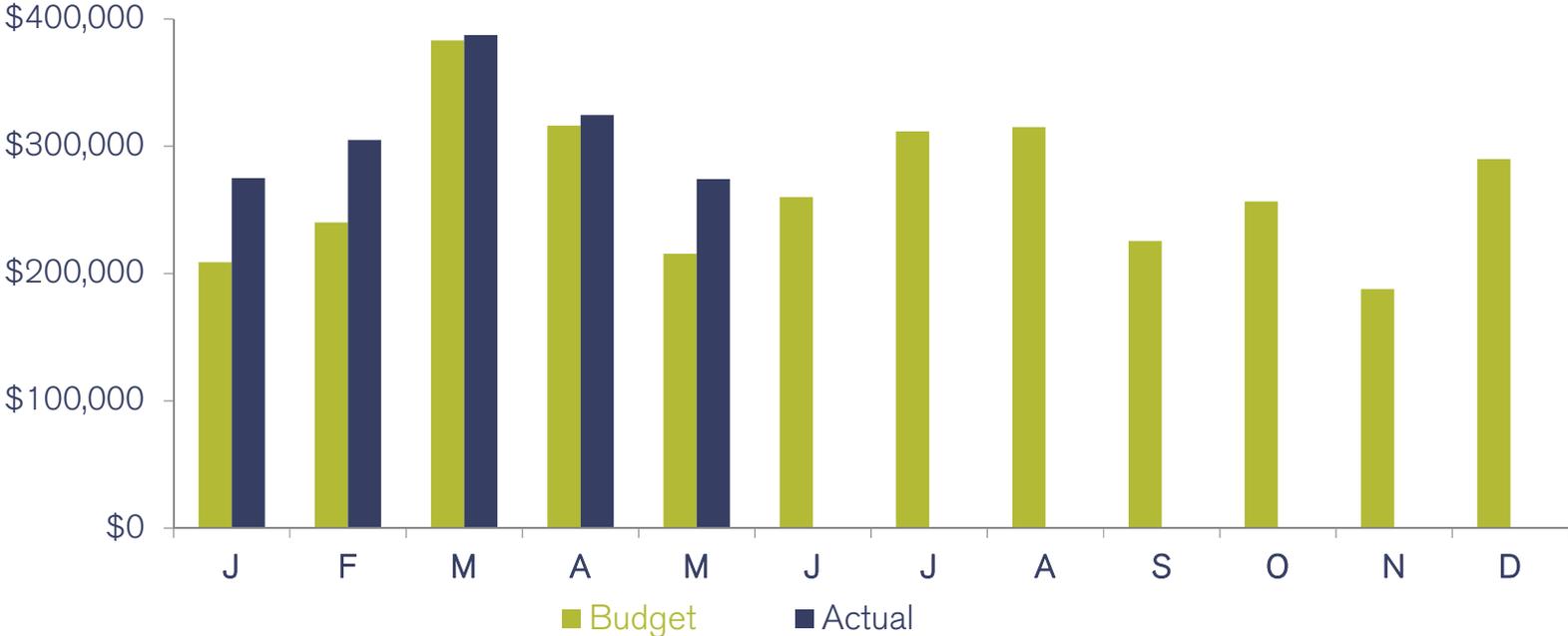
Return on Assets (ROA) is inline with the budget as the year-to-date ROA after May is 51.9 bps on average assets of \$724.2 million for the first five months.

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 \$621.7 million at the end of May, an increase of \$12.9 million from the previous month.

Millennium Corporate is defined as “Well Capitalized” and we ended the month with Retained Earnings of \$18,069,630, representing a Retained Earnings ratio of 2.91% and a Tier 1 ratio of 11.17%.



# 2019 Budget/Actual Net Income



## YTD Actual/Budget Variance

May 2019   YTD <i>(In Thousands)</i>	Actual 2019	Budget 2019	Variance
Net Interest Income	\$3,047.0	\$2,845.5	\$201.4
+ Non-Interest Income	\$2,029.6	\$2,045.9	(\$16.3)
- Operating Expenses	\$2,840.5	\$2,847.6	\$7.1
= Net Operating Income	\$2,236.1	\$2,043.9	\$192.2
+ CUSO Gains/Losses	\$34.5	\$33.5	\$1.0
- Potential Rebates	\$62.5	\$62.5	\$0.0
- PCC Dividends	\$641.4	\$650.6	\$9.2
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$1,566.7	\$1,364.3	\$202.4

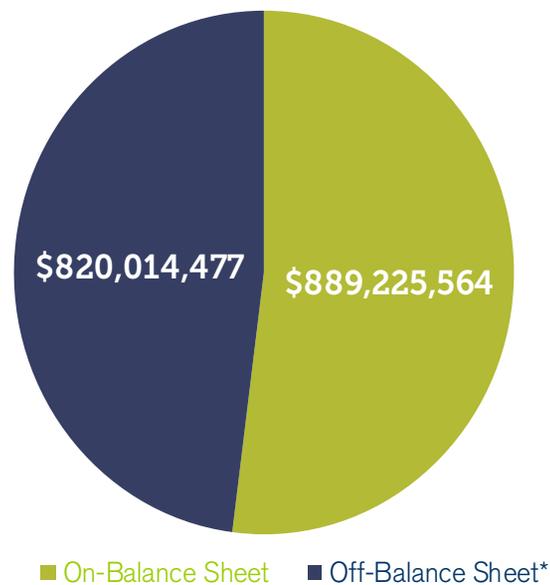


# Total Assets | On- and Off-Balance Sheet

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**May 2019**

Total Managed Assets - \$1,709,240,041



# Liquidity Commentary

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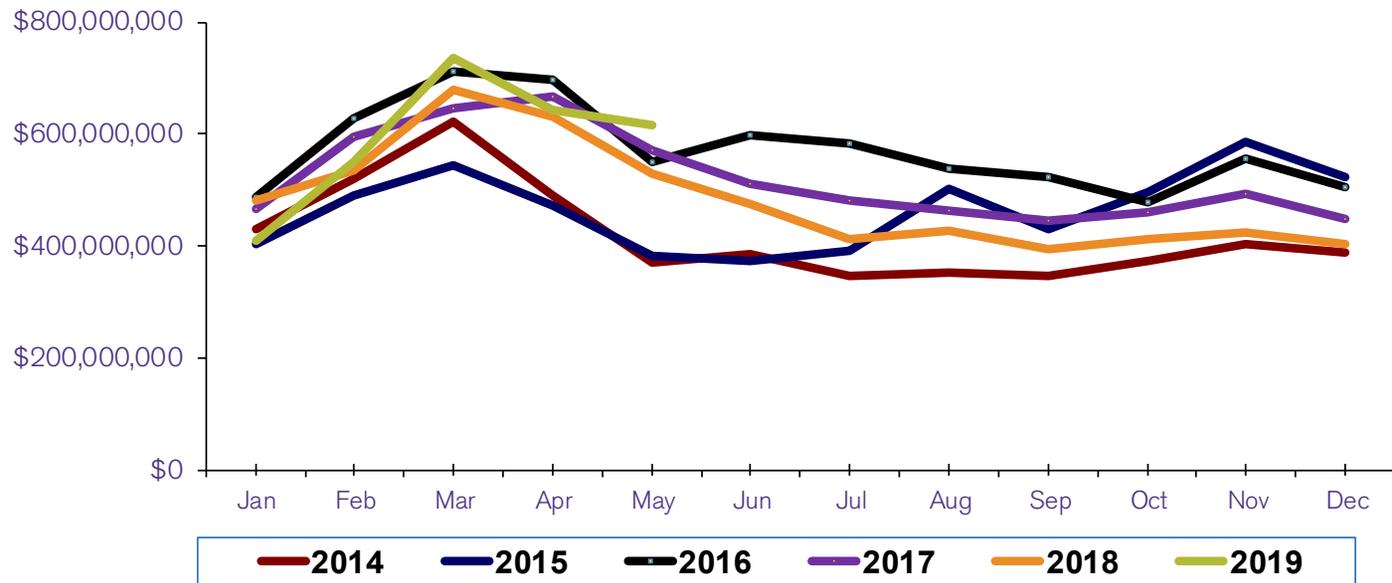
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in May 2019. Millennium Corporate currently has a Collateralized LOC of \$225.0 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Average member credit union daily loan balances have decreased significantly as liquidity has increased – which is a historical trend at this time of the year. Loan balances averaged \$14.6 million in March; averaged \$12.8 million in April; May averaged \$24.9 in May; and have averaged \$25.6 million during most of June.
- May 2019 month-end figures show SimpliCD issuance totals of \$161.0 million and 27 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.*

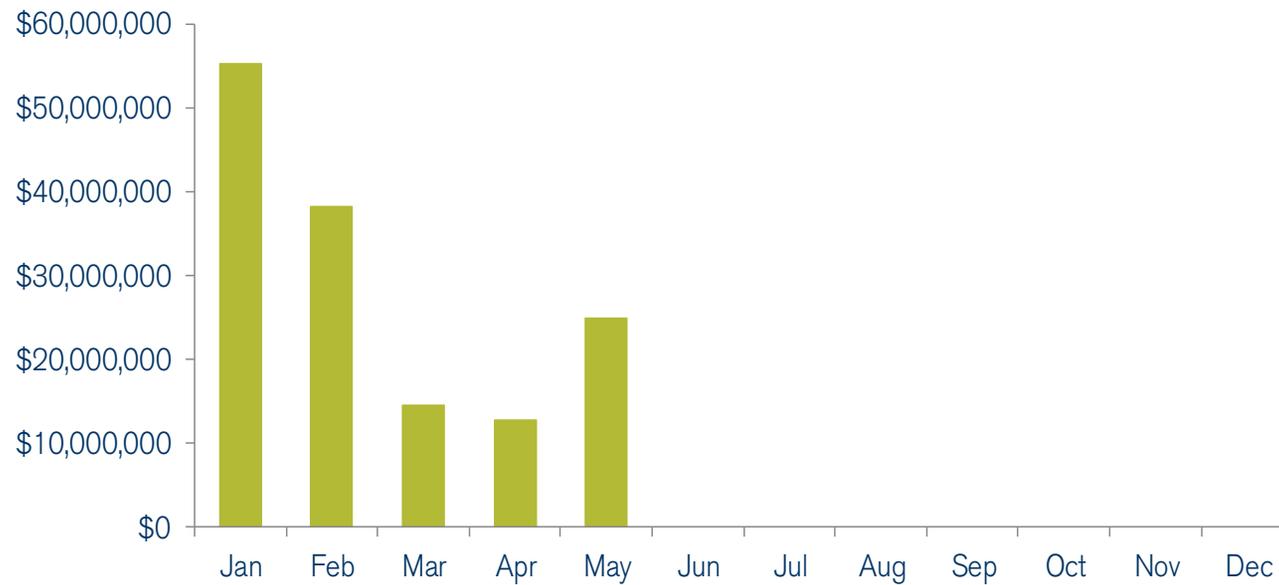


# Historical Member Overnight Deposits



# 2019 Average Monthly Member Borrowings

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# IRR | Net Economic Value (NEV)

NEV Testing Results   April 2019						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$72,892,049	+ \$158,204	+ 0.22%	9.35%	Minimum Ratio - 2%	PASS
					Max % Change - (15%)	PASS
Base Case	\$72,733,845	-	-	9.34%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$72,456,802	(\$277,042)	(0.38%)	9.32%	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 May 2019, is \$3,660,218
- Retained Earnings ratio is 2.92% as of April 2019 versus 2.32%, one year ago
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate's May 2019 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 2.91% | Minimum requirement – 1.00%
  - Tier 1 Capital Ratio – 11.17% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 90.64% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 90.64% | Minimum Requirement – 8.00%
  - GAAP Capital – 11.62%



# Board Meeting Recap

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## Board of Director's Meeting – June 20, 2019

- Approved May 2019 Financial Statements & Committee Reports
- Approved April 2019 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management..
  - Participated in Nebraska Credit Union League annual meeting events (vendor showcase, golf, bowling, provided update and sponsored the awards banquet)
  - Update on the results of the Automated Cybersecurity Examination Tool (ACET) examination/review KDCU/NCUA
  - Update on recent enterprise-wide technology risk assessment conducted by Visconti Consulting, LLC
  - Millennium submitted a comment letter on NCUA's 2019 Regulatory Review encouraging them to review "Part 704 – Corporate Credit Unions" and "Part 725 – Central Liquidity Facility"
  - June PCC rate will be 2.90% - 0.53% higher than the fed funds effective
  - Millennium is on pace to pay more than \$13.5 million in total dividends in 2019 – compared to \$7.7 million in 2018.



# Board Meeting Recap

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## Board of Director's Meeting – June 20, 2019

- In past discussions, it was noted that it's common for credit unions to have a code of conduct policy. Board directed management to research sample policies and come back to the Board with a recommendation at a future meeting.
- Board and management discussed CUNA's "Open Your Eyes" awareness initiative. All were in favor of participating and directed management to accrue expenses while management determines whether to contribute directly into the campaigns of our core states or contribute directly to CUNA to offset administrative expenses of the initiative.
- Board was provided the Corporate CU Alliance position paper for flexibility and regulatory change to provide corporate CU's a greater ability to help CUs navigate the evolving financial services landscape. This included detailed recommended changes to Regulation 704, which management will review with the Board at a future meeting.



# Board Meeting Recap

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## Board of Director's Meeting – June 20, 2019

- Discussed a Mentoring Program for volunteers as a way to help prepare the potential future leaders of Millennium. Management will research opportunities and recommend a structured program for the Board to consider at a future meeting.
- Billy LaFavor, Chief Operating Officer of CU Investment Solutions, LLC, (ISI) met with both the ALCO and Board. ISI is a CUSO which is owned by five corporate credit unions and Millennium is a 25% owner. At the ALCO, Mr. LaFavor reviewed the NEV report and modeling assumptions; reviewed Millennium's investment portfolio and the LIBOR transition. At the Board meeting, Mr. LaFavor discussed ISI's services; how many CUs the CUSO serves (834 credit unions); ISI's market share; and overall financial status of the company (which, like all of CUSO investments, is reviewed quarterly by the Board).



# Supervisory Committee Recap

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## Supervisory Committee Meeting – June 24, 2019

- The Committee reviewed the risk assessments for Jack Henry (Symitar), Juniper Payments (Lending Tools) and the Enterprise Wide IT risk assessment.
- Results of the Contingency Test/Exercise were reviewed and accepted.
- Committee reviewed the Supervisory Committee Charter, the Internal Audit Charter and discussed plans for internal audits for the next twelve to eighteen months.
- The Committee discussed the results of the Automated Cybersecurity Examination Tool (ACET) examination by the NCUA and the KDCU.
- Committee reviewed the 2Q Enterprise Risk Management (ERM) Board report.
- 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 – August 26, 2019



# July 2019

## Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
1	2	3	4 Happy 4 <sup>th</sup> of July! Millennium Offices Closed	5
8	9	10	11	12
15	16 Heartland Credit Union Association – CEO Summit Kansas City, MO	17 Heartland Credit Union Association – CEO Summit Kansas City, MO	18	19
22	23	24	25	26 Millennium Corporate Board & ALCO Meetings
29	30	31	1	2