



Membership Report | August 2020

Agenda

- Financial Commentary
 - 2020 Budget/Actual Net Income
 - Actual/Budget Variance
 - Total Managed Assets – On- & Off-Balance Sheet
- Liquidity Commentary
 - Historical Member Overnight Deposits
 - 2020 Average Monthly Member Borrowings
- Interest Rate Risk/Net Economic Value Report – June 2020
- Capital Commentary
- Board Meeting Recap
- Supervisory Committee Recap
- Credit Committee Recap
- Calendar of Events – September 2020



Financial Commentary

Net Income for July was \$122,269, above the revised budget by \$17,631 or 16.8% for the month. Net interest income was \$11,252 or 4.6% more than budget due primarily to the higher than expected CLF dividend. Non-interest income was more than budget by \$22,201 or 5.4% due primarily to higher commission and financial services income. Operating expenses were above budget by \$20,128 or 3.8% due to higher incentives paid to AIM staff. CUSO income was higher than budget by \$4,307 or 78.3%. PCC dividends were in-line with the revised budget. The year-to-date coverage ratio (fee income/operating expenses) is 79.9%, lower than the revised goal of 80.1%.

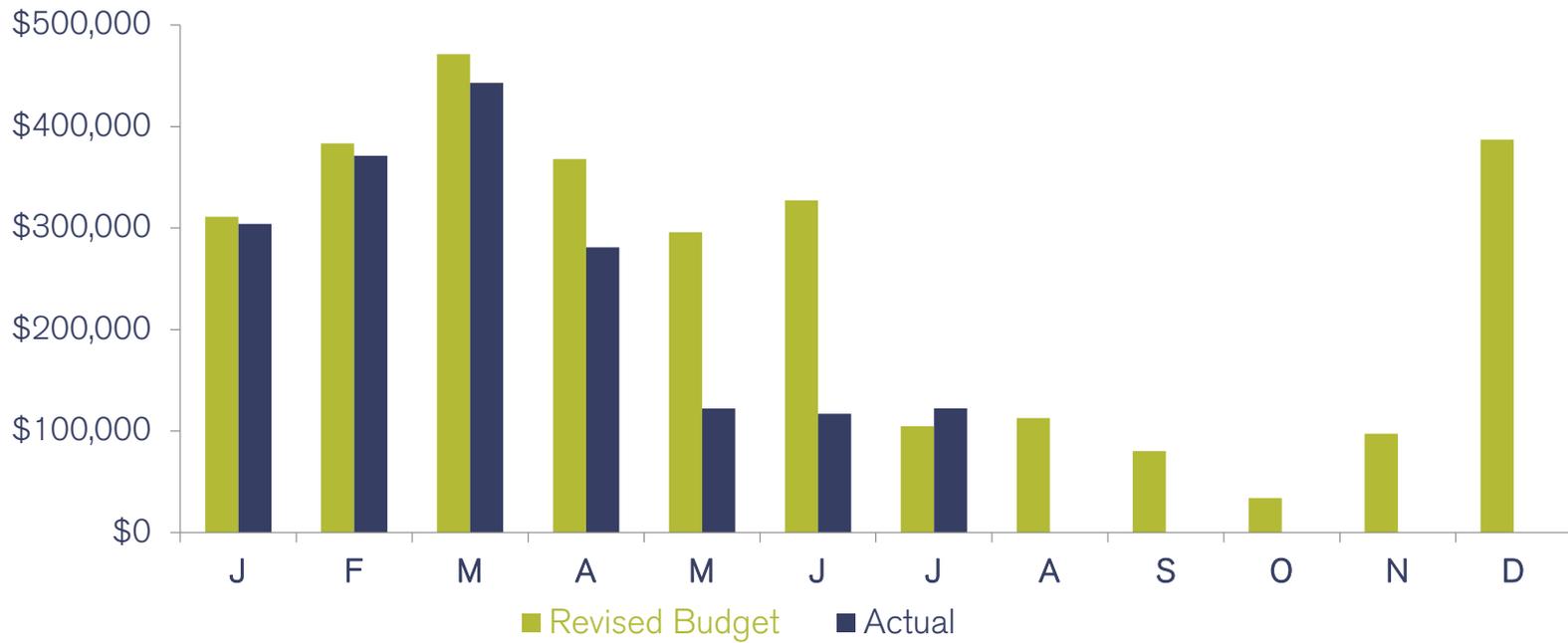
Return on Assets (ROA) is in-line with the revised budget as the year-to-date ROA after July is 25.3 bps on average assets of \$1,196.6 million for the seven months of the year.

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 \$1,014.7 million at the end of July, an increase of \$57.7 million from the previous month. Monthly DANA has increased by \$369.4 million or 57.2% during the past year.

Millennium Corporate is defined as “Well Capitalized” and we ended the month with Retained Earnings of \$22,026,554, representing a Retained Earnings ratio of 2.17% and a Tier 1 ratio of 6.12%.



2020 Revised Budget/Actual Net Income



YTD Actual/Revised Budget Variance | Dollars

July 2020 YTD <i>(In Thousands)</i>	Actual 2020	Budget 2020	Variance
Net Interest Income	\$2,801.4	\$2,790.2	+ \$11.2
+ Non-Interest Income	\$3,090.9	\$3,068.7	+ \$22.2
- Operating Expenses	\$3,870.4	\$3,850.3	(\$20.1)
= Net Operating Income	\$2,021.9	\$2,008.6	+ \$13.3
+ CUSO Gains/Losses	\$35.1	\$30.7	+ \$4.4
- PCC Dividends	\$296.1	\$296.1	\$0.0
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$1,760.9	\$1,743.3	+ \$17.7



Liquidity Commentary

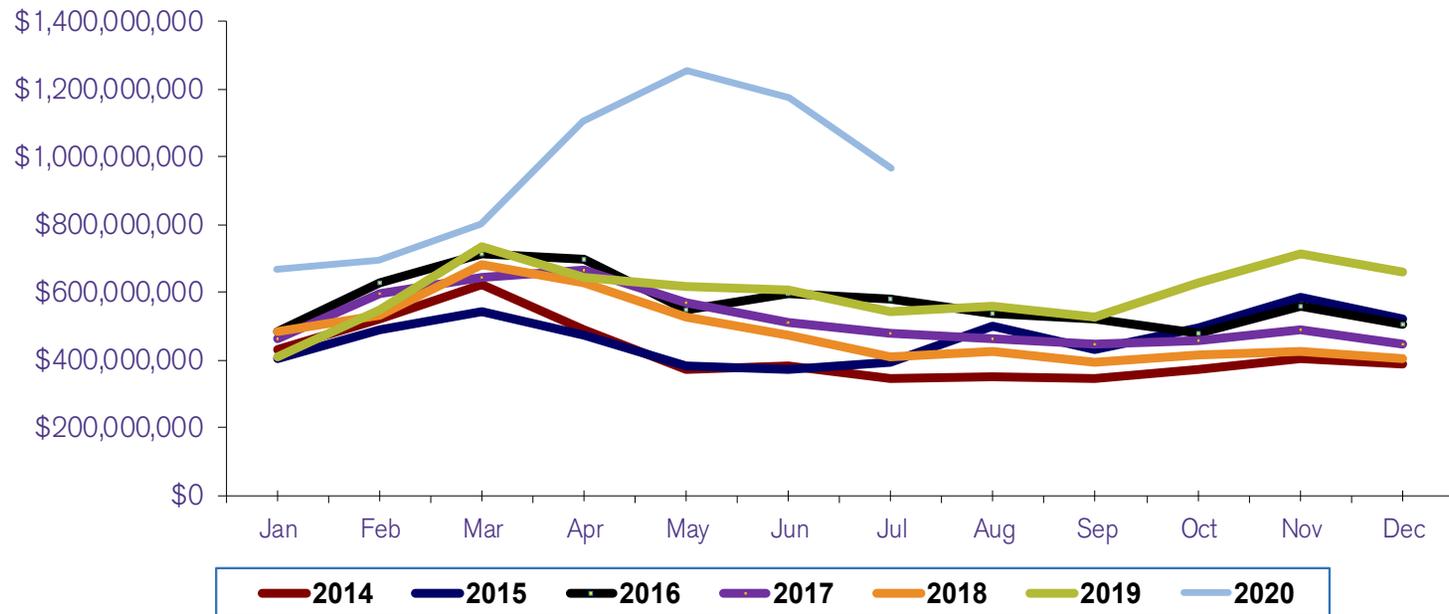
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in July 2020. Millennium Corporate currently has a Collateralized LOC of \$338.5 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Loan balances averaged \$16.3 million in April; averaged \$18.5 million in May; averaged \$14.7 million in June; averaged \$5.3 million in July; and have averaged \$3.8 million during most of August.
- July 2020 month-end figures show SimpliCD issuance totals of \$85.6 million and 20 users of this liquidity option.

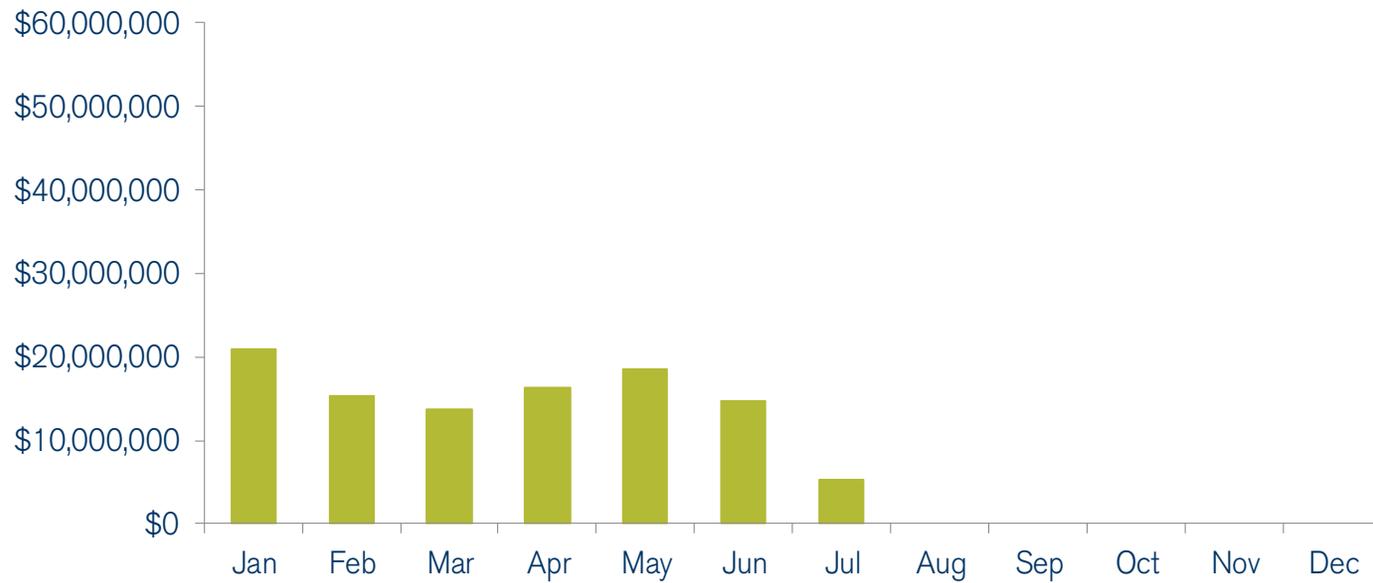
Graphical representations of the seasonal activity of member overnight deposits since 2015, and average member borrowing activity for 2020 follow this commentary.



Historical Member Overnight Deposits



2020 Average Monthly Member Borrowings



IRR | Net Economic Value (NEV)

NEV Testing Results June 2020						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	-	-	-	-	Minimum Ratio - 2%	PASS
					Max % Change - (15%)	PASS
Base Case	\$76,367,336	-	-	5.39%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$74,718,176	(\$1,649,160)	(2.16%)	5.28%	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 July 2020, is \$3,374,773
- Retained Earnings ratio is 2.17% as of 2020 versus 2.89%, one year ago
- Like all financial institutions, the surge in overnight deposits at Millennium due to the government stimulus payments and the FOMC actions to lower interest rates have negatively impacted our capital ratios but Millennium is still considered “Well Capitalized”
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate’s June 2020 capital ratios, and the minimum regulatory requirement of each (where applicable).
 - Retained Earnings Ratio – 2.17% | Minimum requirement – 1.00%
 - Tier 1 Capital Ratio – 6.12% | Minimum Requirement – 4.00%
 - Tier 1 Risk-Based Capital Ratio – 58.01% | Minimum Requirement – 4.00%
 - Total Risk-Based Capital Ratio – 69.25% | Minimum Requirement – 8.00%
 - GAAP Capital – 7.51%



Board Meeting Recap

Board of Director's Meeting – August 20, 2020

- Approved July 2020 Financial Statements & Committee Reports
- Approved June 2020 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management-
 - Management reported that Millennium's operations department continues with remote work schedules
 - Millennium management sent a comment letter to NCUA on July 27th regarding proposed changes to Reg 704 which governs corporate CUs – a total of 36 comment letters were received
 - Staff is preparing for the HCUA virtual meeting and Millennium is sponsoring the keynote speaker – Rick Rigsby – you won't want to miss the opportunity to see him speak and share his message
 - Due to the important strategic role Millennium serves in the banking system along with others (corporates, bankers' banks and the processor segments) we have met with the Federal Reserve Bank and they will work with the aggregator communities regarding the FedNow Service which will ensure our members have access to all faster payment services via Millennium
 - Board reviewed the June 2020 corporate credit unions call report data



Board Meeting Recap

Reviewed the financial results of our CUSO investments as of June 2020

- Primary Financial Company, LLC (SimpliCD) had net income of \$248,606 for the first half of 2020. The company has total equity of \$21.0 million, representing an equity ratio of 48.0%. Millennium ended June with outstanding SimpliCD balances of \$551.6 million and SimpliCD issuance of \$89.3 million, an option used by Millennium members to generate additional liquidity. Millennium's current ownership percentage is 12.0%.
- CU Business Group, LLC (CUBG) had net income of \$103,348 for the first half of 2020. Total equity is \$3.0 million representing an equity ratio of 70.0% as of June 2020. During the past quarter CUBG had several operational and due diligence reviews (loan review, SSAE, financial audit) with no material exceptions. Millennium's current ownership percentage is 4.41%.
- CU Investment Solutions, LLC (ISI) year-to-date income is \$1,241,206. ISI's fiscal year runs from October 2019 through September 2020. This is the fourth straight quarter of strong income as overall liquidity has increased. As of June 2020, ISI had retained earnings of \$1,779,931, reflecting an equity ratio of 45.7%. Millennium's current ownership percentage is 22.2%.
- CULedger Heartland, LLC – initial investment was made in December 2018 and during 2019 Millennium management decided to write down about half of the initial investment leaving an investment of \$9,731. Management has reviewed the financial audits for both CULedger Heartland, LLC and CULedger LLC. Millennium's current ownership percentage is 7.69%.



Board Meeting Recap

Board of Director's Meeting – August 20, 2020

- Management reviewed the status of the revised Measures and Targets for Millennium's 2020-2022 Strategic Plan
- Board completed training for AML/BSA, USA Patriot Act and OFAC – conducted by Lori Domian, Millennium Compliance Officer
- Representatives from NCUA (Chairman Rodney Hood, Lynn Markgraf-Deputy Director, Stephen Wray-National Field Supervisor and Andrew Numelin-Examiner-in-Charge & District Examiner) presented the 2020 joint KDCU/NCUA examination report of Millennium to the members of the Board, Committees and Management. The examination effective date was April 30, 2020. The Millennium Volunteers and Management were pleased with the results of the examination report.



Supervisory Committee Recap

Supervisory Committee Meeting – August 24, 2020

- The Committee reviewed the risk assessments for Jack Henry (Symitar) and Safekeeping services.
- The Committee reviewed the Internal Audits for the Bank Secrecy/Information Security Program and the Remote Access audit.
- The Committee discussed the results of the Joint KDCU/NCUA Examination with an effective date of April 30, 2020 and were pleased with the results.
- The Committee approved a revised Internal Audit schedule for the remainder of 2020.
- 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 26, 2020



Credit Committee Recap

Credit Committee Meeting – August 5, 2020

- The Committee reviewed and approved 44 lines-of-credit.
- Committee reviewed the Monitor Report
- Canceled two lines-of-credit due to mergers
- Current Advised LOC status – 243 Lines/\$857 million
- Next meeting – October 19, 2020



September 2020

Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
31	1	2	3	4
7 Labor Day! Millennium Offices Closed	8	9	10	11
14	15	16	17	18
21	22	23	24 HCUA Virtual Annual Convention	25 Millennium ALCO & Board Meetings HCUA Virtual Annual Convention
28 Millennium Enterprise Risk Management Committee Meeting	29	30	1	2