



Membership Report | July 2020

Agenda

- Financial Commentary
 - 2020 Budget/Actual Net Income
 - Actual/Budget Variance
 - Total Managed Assets – On- & Off-Balance Sheet
- 2Q Financial Review
 - Daily Average Net Assets - Monthly
 - Non-Interest Income Trends
 - Operating Expense Trends
- Liquidity Commentary
 - Historical Member Overnight Deposits
 - 2020 Average Monthly Member Borrowings
- Interest Rate Risk/Net Economic Value Report – May 2020
- Capital Commentary
- Board Meeting Recap
- Calendar of Events – August 2020



Financial Commentary

Net Income for June was \$116,978, under budget by \$210,349 or 64.3% for the month. Net interest income was \$216,643 or 62.9% less than budget due to the FOMC actions in mid-March to reduce the target fed funds rate in reaction to the COVID-19 virus. Non-interest income was more than budget by \$42,558 or 10.5% due primarily to higher commission income. Operating expenses were under budget by \$39,375 or 6.8% due to lower travel, conferences, volunteer meetings and office operations expenses. CUSO income was higher than budget by \$5,621 or 102.2%. PCC dividends were significantly lower due to the FOMC actions. The year-to-date coverage ratio (fee income/operating expenses) is 80.1%, higher than the goal of 69.1%.

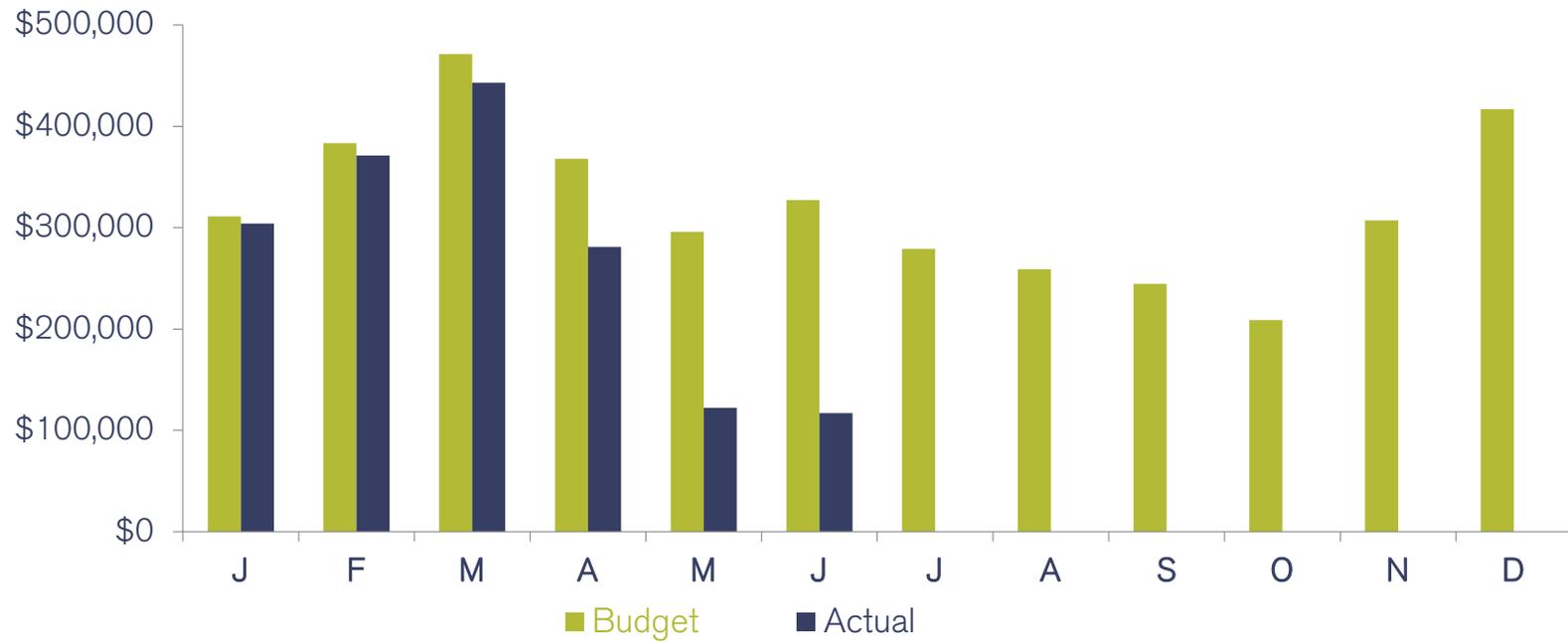
Return on Assets (ROA) will remain lower than budget throughout the year due to the extreme rate reductions in March. The year-to-date ROA after June is 28.1 bps on average assets of \$1,167.5 million.

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 \$958.0 million at the end of June, an increase of \$57.8 million from the previous month.

Millennium Corporate is defined as "Well Capitalized" and we ended the month with Retained Earnings of \$21,904,284 representing a Retained Earnings ratio of 2.29% and a Tier 1 ratio of 6.35%.



2020 Budget/Actual Net Income



YTD Actual/Budget Variance | Dollars

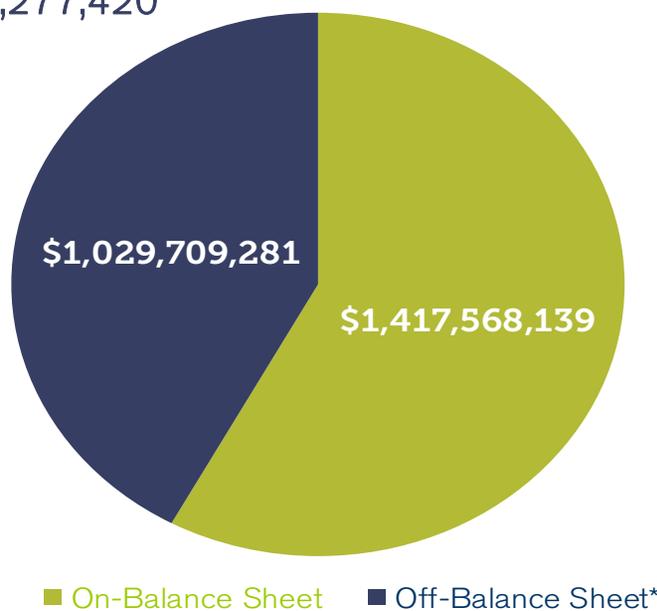
June 2020 YTD <i>(In Thousands)</i>	Actual 2020	Budget 2020	Variance
Net Interest Income	\$2,548.2	\$3,717.4	(\$1,169.2)
+ Non-Interest Income	\$2,656.0	\$2,448.0	\$208.0
- Operating Expenses	\$3,317.7	\$3,488.2	\$170.5
= Net Operating Income	\$1,886.5	\$2,677.2	(\$790.7)
+ CUSO Gains/Losses	\$25.2	\$34.2	(\$9.0)
- PCC Dividends	\$273.1	\$554.1	\$281.0
+ Other Gains/Losses	\$0.0	\$0.0	\$0.0
= Net Income	\$1,638.6	\$2,157.3	(\$518.7)



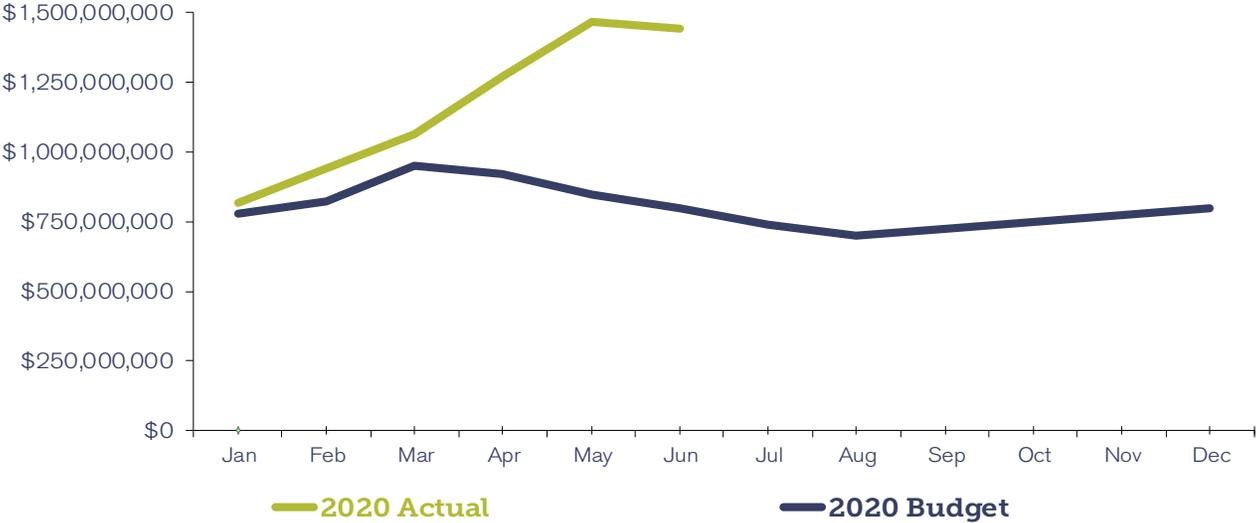
Total Assets | On- and Off-Balance Sheet

June 2020

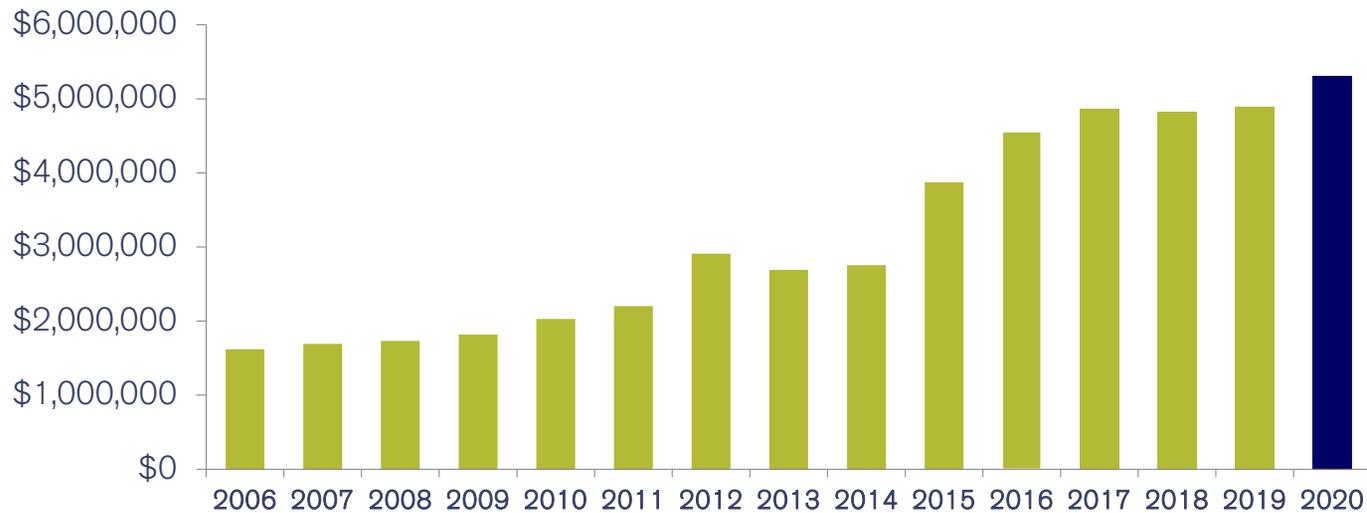
Total Managed Assets - \$2,447,277,420



Daily Average Net Assets | Monthly



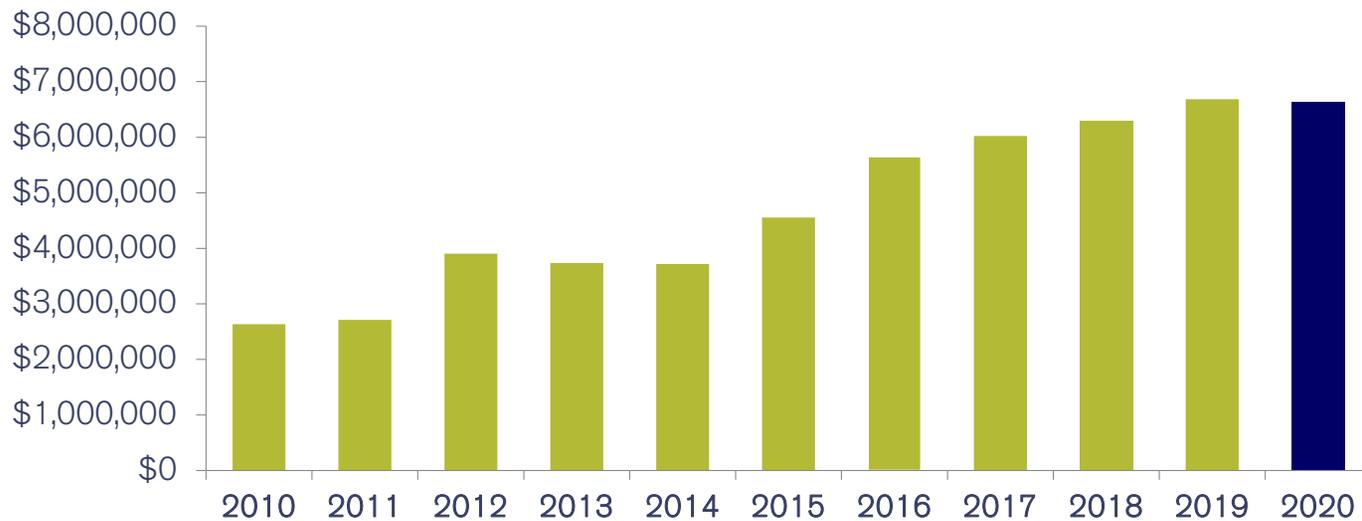
Annualized Non-Interest Income Trends



The 2020 budget projected a decrease in Non-Interest Income compared to the previous year. Non-interest income is exceeding the budget by 8.5%. On pace to exceed \$5.3 million for the year – which will be the first time to earn more than \$5 million in non-interest income.



Annualized Operating Expense Trends



Operating Expenses are lower than budgeted due primarily to hosting a virtual annual meeting, travel, conference and promotion expenses. Operating expenses are on pace to be \$439,718 or 6.2% less than budget.



Liquidity Commentary

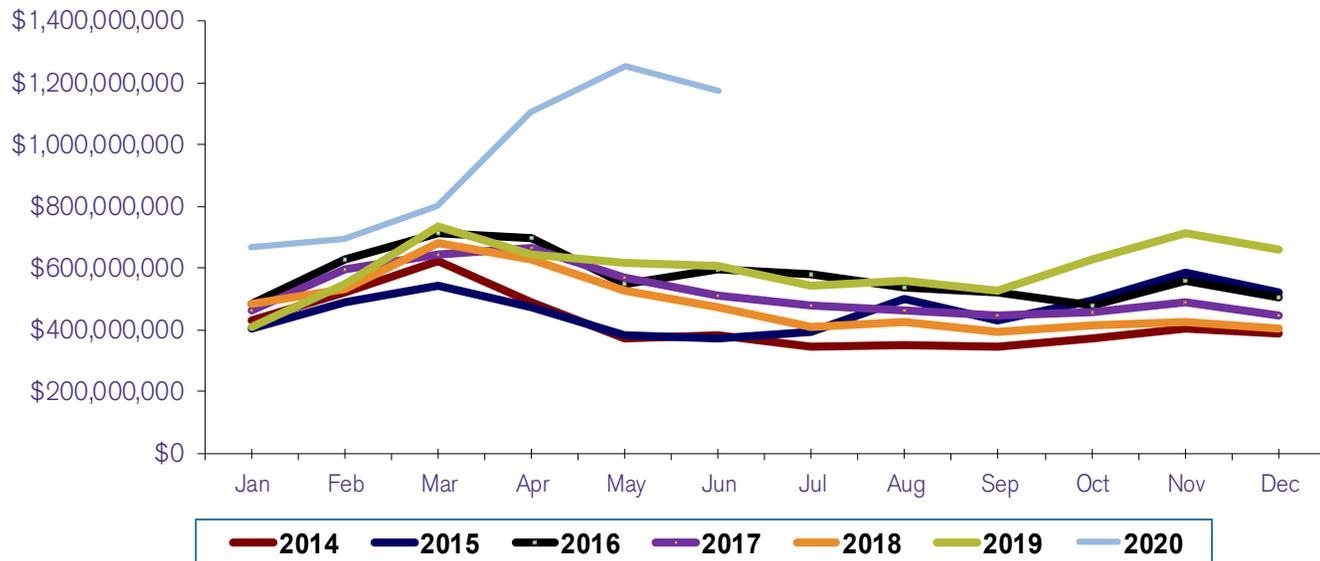
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in June 2020. Millennium Corporate currently has a Collateralized LOC of \$332.9 Million with the FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- Loan balances averaged \$13.8 million in March; averaged \$16.3 million in April; averaged \$18.5 million in May; averaged \$14.7 million in June; and have averaged \$5.3 million during most of July.
- June 2020 month-end figures show SimpliCD issuance totals of \$89.3 million and 20 users of this liquidity option.

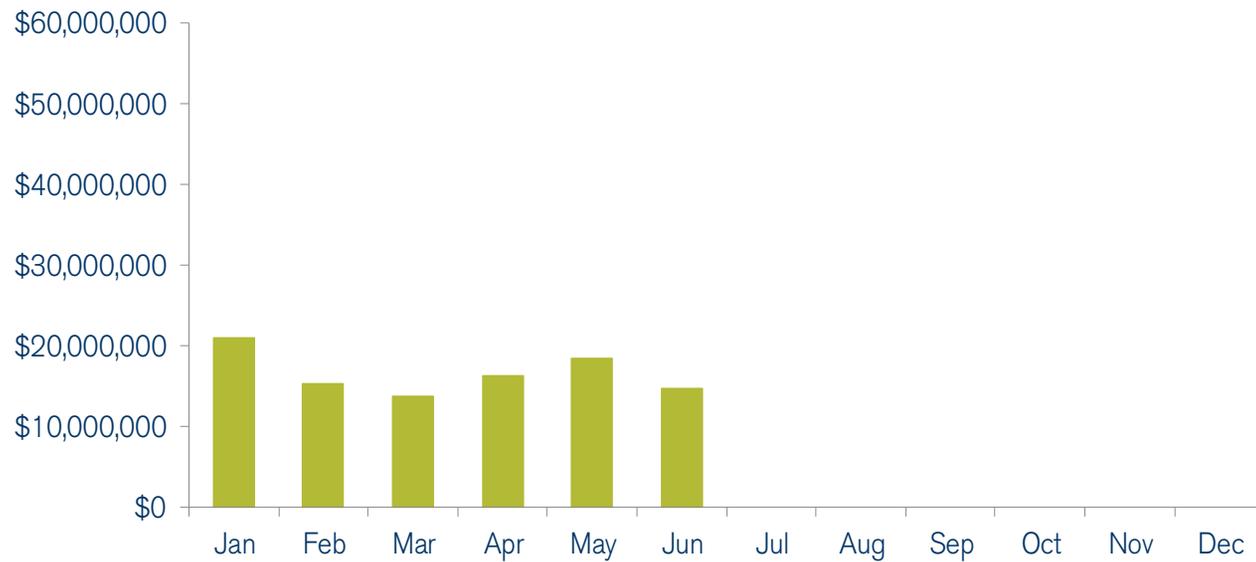
Graphical representations of the seasonal activity of member overnight deposits since 2015, and average member borrowing activity for 2020 follow this commentary.



Historical Member Overnight Deposits



2020 Average Monthly Member Borrowings



IRR | Net Economic Value (NEV)

NEV Testing Results May 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	\$74,660,724	-	-	4.75%	Minimum Ratio - 2%	PASS
+300 bps Increase in Interest Rates	\$74,031,950	(\$628,774)	(0.84%)	4.72%	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 June 2020, is \$3,517,261
- Retained Earnings ratio is 2.29% as of June 2020 versus 2.90%, 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 – 2.29% | Minimum requirement – 1.00%
 - Tier 1 Capital Ratio – 6.35% | Minimum Requirement – 4.00%
 - Tier 1 Risk-Based Capital Ratio – 58.43% | Minimum Requirement – 4.00%
 - Total Risk-Based Capital Ratio – 71.22% | Minimum Requirement – 8.00%
 - GAAP Capital – 7.95%



Board Meeting Recap

Board of Director's Meeting – July 23, 2020

- Approved June 2020 Financial Statements & Committee Reports
- Approved May 2020 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management..
 - Management reported that Millennium has department wide remote work schedules
 - Liquidity remains strong and Millennium's assets have averaged approximately \$1.4 billion in July
 - KDCU and NCUA conducted an off-site joint exam the week of July 6th. The exam team met with the Board Chair and Management Team at the end of the week and we anticipate receiving the final report at the August board meeting.
 - Millennium management sent a comment letter regarding proposed changes to Reg 704 which governs corporate CUs.
 - Reviewed the quarterly budget to actual comparison
 - Review of the CUNA July credit union forecast – they increased the savings growth for 2020 to 17.0%; loan growth to 6.0% and the ROA forecast for 2020 is now 0.35%.



Board Meeting Recap

Board of Director's Meeting – July 23, 2020

- Due to the significant asset growth in the past year, the Board approved revisions to the Investment Policy to increase the limit in the size of a purchase to \$20 million or 30% of capital. This change provides management more flexibility in managing the portfolio and the number of investments.
- An initiative for the past few years has been for an internal staff committee to research and explore potential FinTech partners. The committee recommended and the Board approved a partnership with Filene Research Institute; creation of a Millennium FinTech Council, including members, to discuss FinTech initiatives and share research with members; and sponsor and attend future FinTech events.
- The COVID-19 pandemic and the unexpected rate cuts by the Federal Open Market Committee (FOMC) have compressed current and future forecasted margins for all financial institutions. The Board approved a Revised Budget for the remainder of 2020 with the following outcomes:
 - ROA of 19.9 bps (vs original budget of 48.3 bps)
 - Net Income - \$2,457,646 (vs original budget of \$3,873,138)
 - 2020 Daily Average Net Assets - \$1,235,811,393 (vs original budget of \$801,250,000)



August 2020

Calendar of Events



Monday	Tuesday	Wednesday	Thursday	Friday
3	4	5 Millennium Credit Committee Meeting	6	7
10	11	12	13	14
17 Millennium Supervisory Committee Meeting	18	19	20 Millennium Board & ALCO Meetings	21 CUFD Golf Tournament Jamestown, ND
24	25	26 NCUL Capital Club Classic Eagle, NE	27	28
31	1	2	3	4