

membership report

July 2022



Millennium
CORPORATE CREDIT UNION

content

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financial commentary

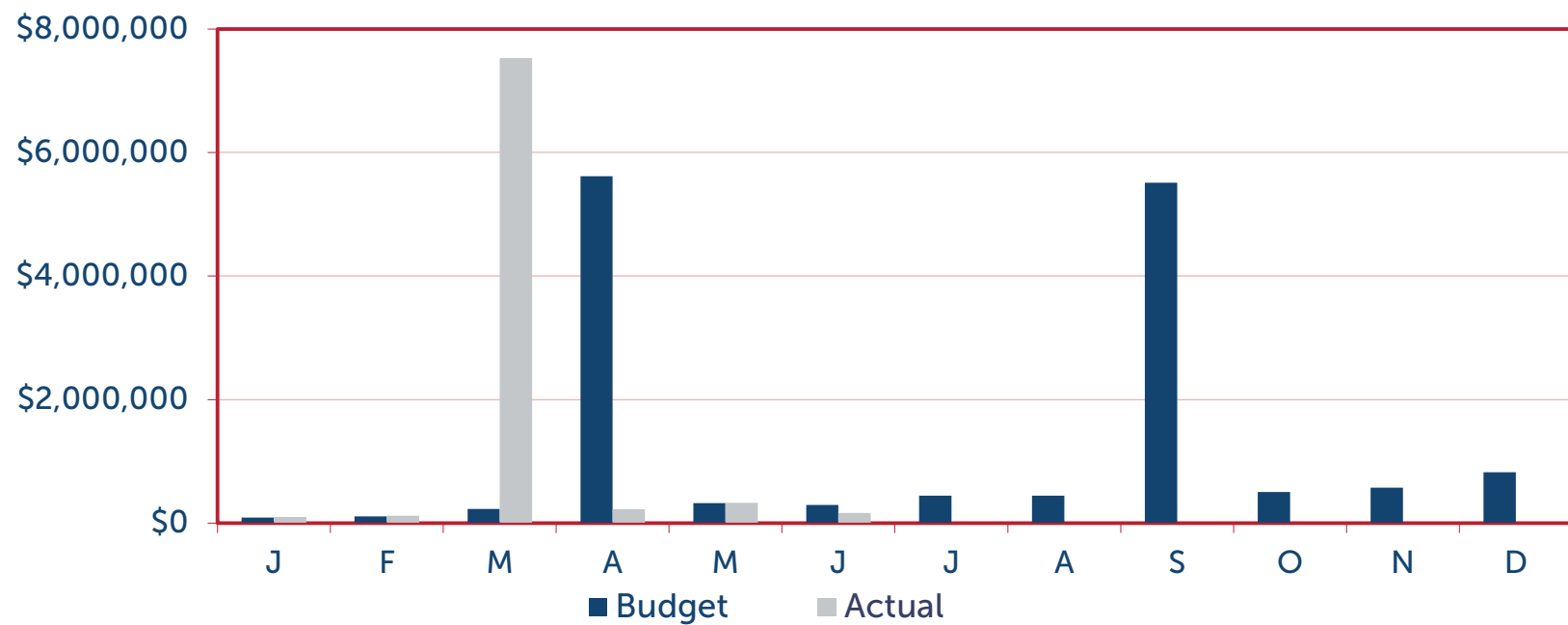
Net income for June was \$162,594, under budget by \$130,580 or 44.5% for the month. Net interest income was \$79,068 or 16.6% less than budget due primarily to lower average assets for the month and the lagging impact of the rate increases on our floating rate investments. Non-interest income was lower than budget by \$112,627 or 19.2% and operating expenses were under budget by \$102,916 or 13.9%, due primarily to the missed timing of closing on the purchase of a business unit reflecting the month's related income and expense. CUSO income was less than budget, \$1,697 or 56.6%, as one of our CUSO's has earned less than budgeted. PCC dividends were higher than budget, \$40,103 or 120.0%, as the FOMC raised overnight rates and more than budgeted and therefore Millennium raised rates we paid to members. The year-to-date coverage ratio (fee income/operating expenses) is 75.4%, which is lower than the goal of 76.6% for the year.

The year-to-date Return on Assets (ROA), including the net impact of the USC Estate, is higher than budgeted. The ROA through June (on an actual/365 basis) is 112.8 bps on average assets of \$1,512.8 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 \$1,559.5 million at the end of June, a decrease of \$40.1 million or 2.5% from the previous month.

Millennium Corporate is defined as "Well Capitalized" and we ended the month with Retained Earnings of \$52,533,231 representing a Retained Earnings ratio of 3.37% and a Tier 1 ratio of 6.65%.

2022 budget/actual net income



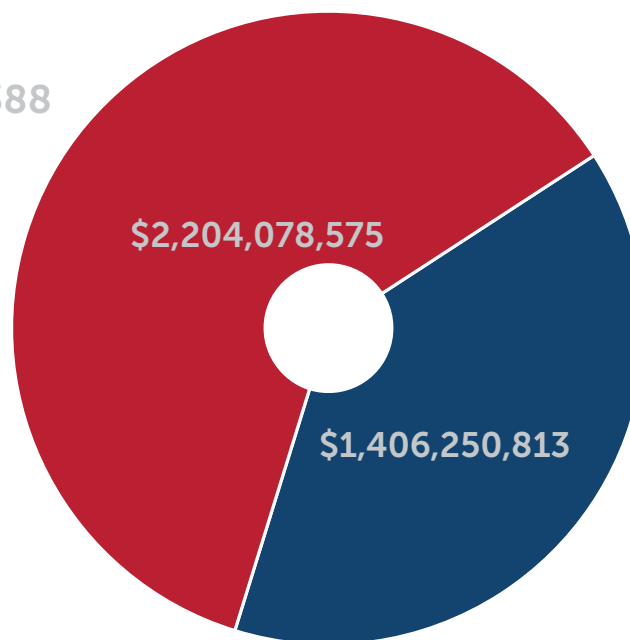
YTD actual/budget variance | dollars

June 2022 YTD <i>(In Thousands)</i>	Actual	Budget	Variance
Net Interest Income	\$2,210.7	\$2,600.6	(\$389.9)
+ Non-Interest Income	\$2,988.9	\$3,173.6	(\$184.7)
- Operating Expenses	\$3,961.6	\$4,175.2	+ \$213.6
= Net Operating Income	\$1,238.0	\$1,599.0	(\$361.0)
+ CUSO Gains/Losses	\$1.4	\$16.3	(\$14.9)
- PCC Dividends	\$240.5	\$163.7	(\$76.8)
+ Other Gains/Losses	\$7,467.8	\$5,214.2	\$2,253.6
= Net Income	\$8,466.7	\$6,665.8	\$1,800.9

total assets | on- and off-balance sheet

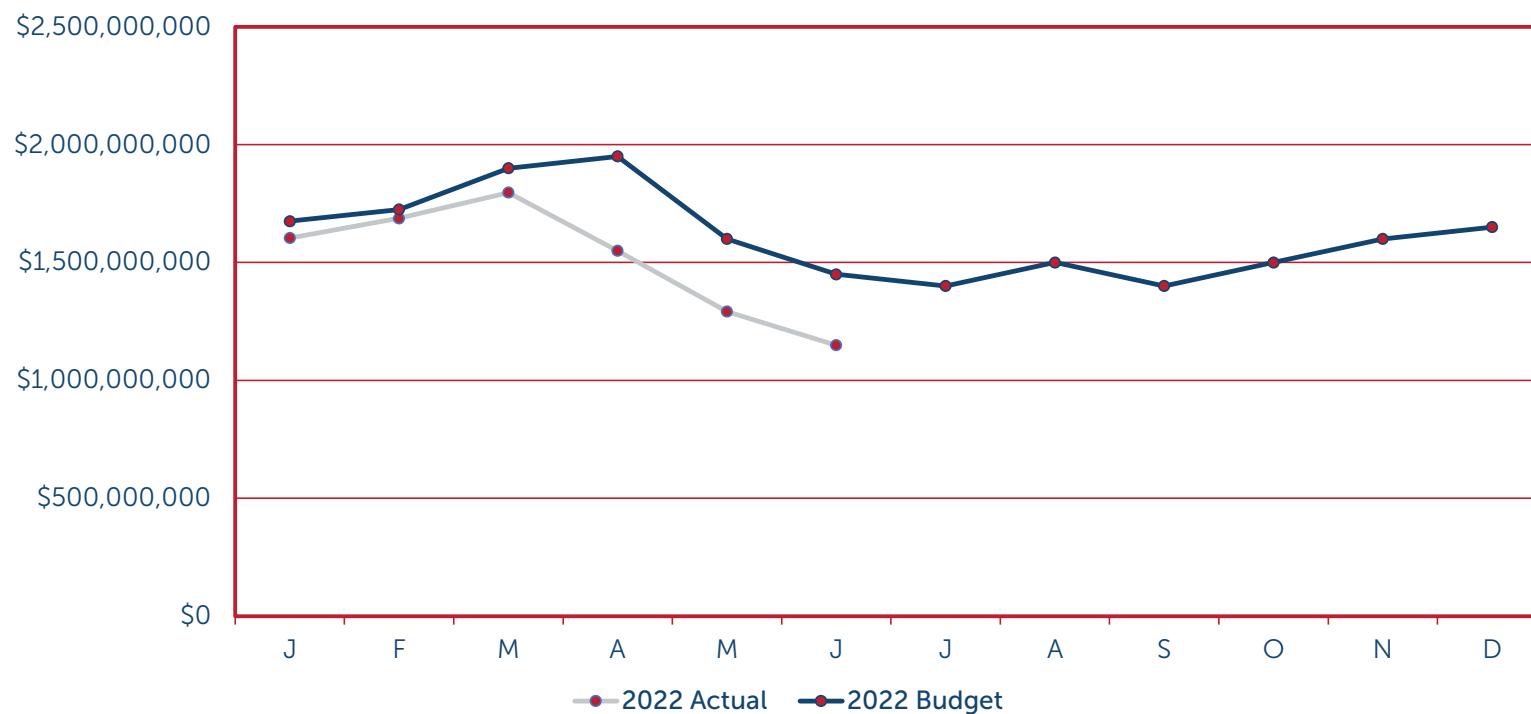
June 2022

Total Managed Assets - \$3,610,329,388



■ On-Balance Sheet ■ Off-Balance Sheet

daily average net assets | monthly



key factors driving results

Balances

- Actual balances are lower than expected in the budget by \$203.8 million or 11.9%.
- Net Interest Income is lower than the budget by \$389.9 or 15.0% due to the lower assets and the lagging effect on our floating investments after the higher than expected FOMC rate increases in March (0.25%), May (0.50%) and June (0.75%).

Fees/Operating Expenses

- Non-interest income is lower than budgeted at \$184,695 or 5.8% due to the missed timing of the anticipated closing on the item processing business and the related income.
- Overall Operating Expenses are \$213,607 or 5.1% lower primarily due to the missed timing of the anticipated closing on the item processing business and the related expenses; accruals for all remaining anticipated salaries/retention for 2022; and travel for conferences to upcoming association sponsored events.
- Coverage Ratio is 75.4% lower than the budgeted 76.6% due to the salary accruals for the remainder of the year

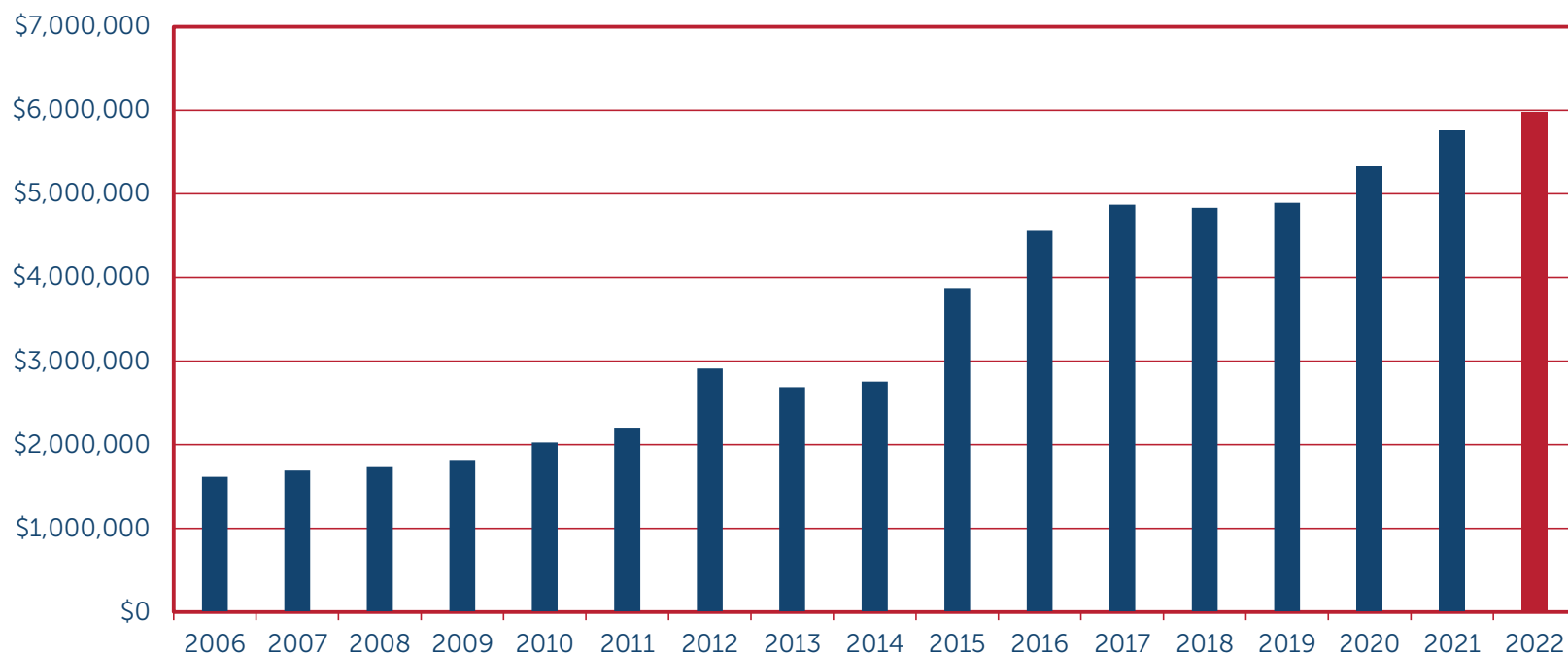
Other Gains/Losses

- Biggest factor driving results is the partial payment of USC Estate – a positive net impact of \$2.3 million.
- CUSO income is lower than budget by \$14,897 or 91.2% due to lower than expected performance by PFC.

PCC Dividends

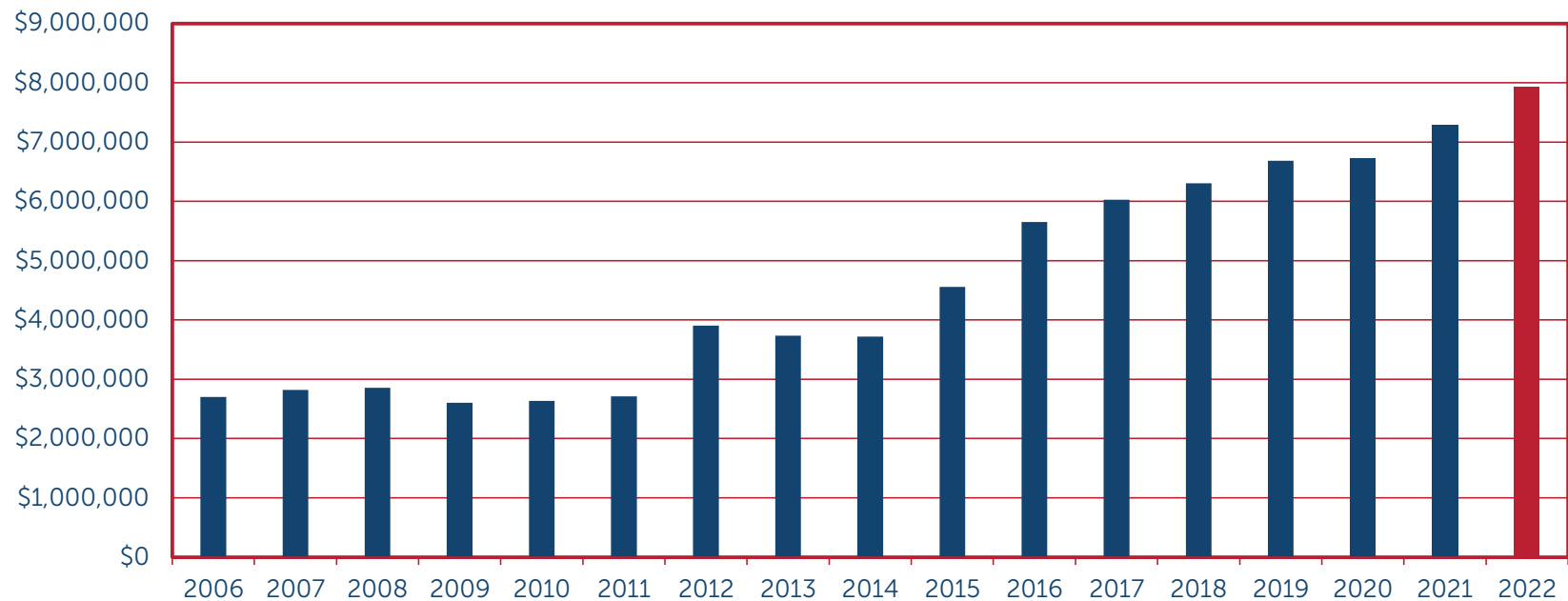
- PCC dividends were higher by \$76,793 or 46.9% due to the higher than expected FOMC rate increases.

annualized non-interest income trends



The 2022 budget projected an increase in Non-Interest Income due to the anticipated purchase of the item processing service. However, the anticipated closing date was April and we have missed the related income and expenses for the past three months. Even without the anticipated item processing income, we are on pace exceed our highest non-interest income year ever.

annualized operating expense trends



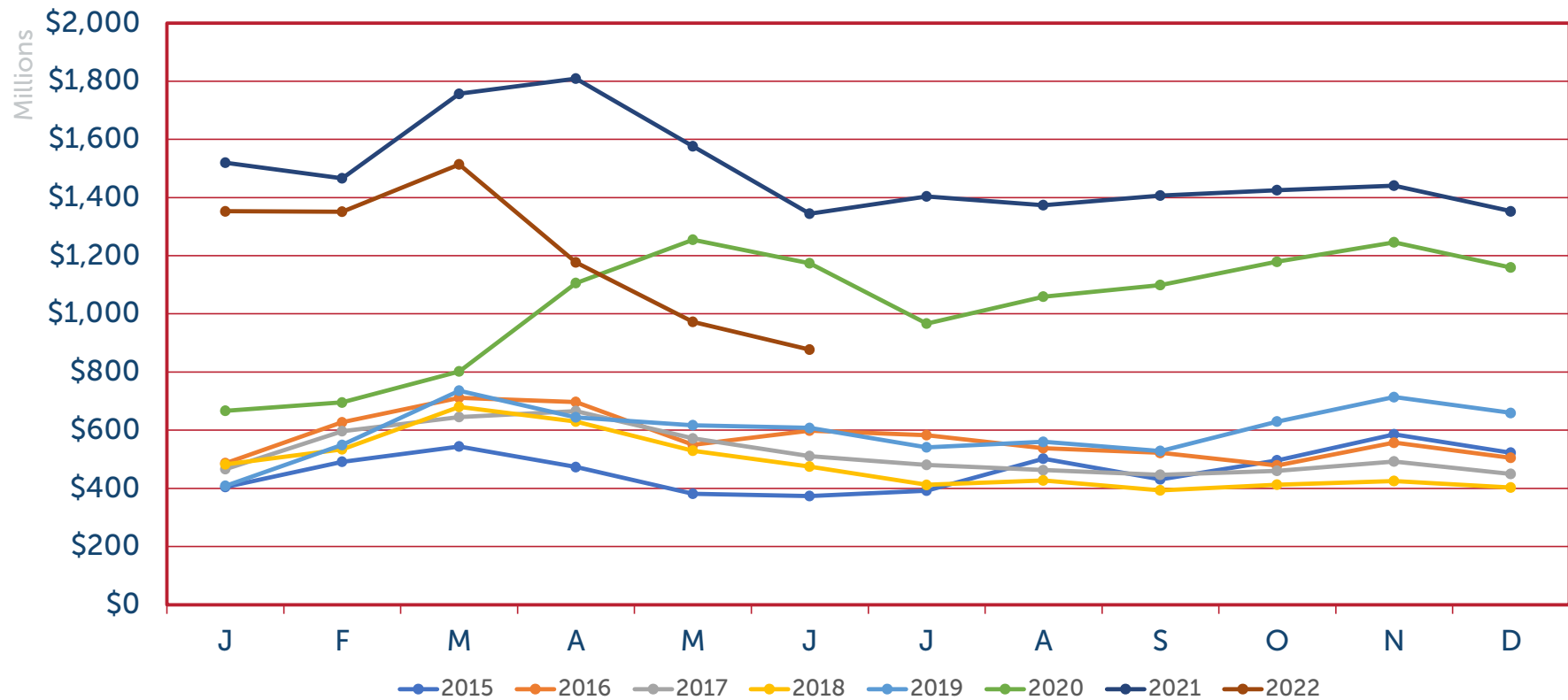
Operating expenses are higher in 2022, primarily due to accruals for all salaries/retention for 2022; higher commission sales (for securities and SimpliCD); professional services and increased usage of financial services which also increases our costs that we pay to partners/vendors. Overall, our operating expenses are 5.1% lower than the budget, due the missed timing of the sale of item processing. Millennium's coverage ratio of 75.4% is lower than budget at 76.6% and we anticipate it to improve the rest of the year.

liquidity commentary

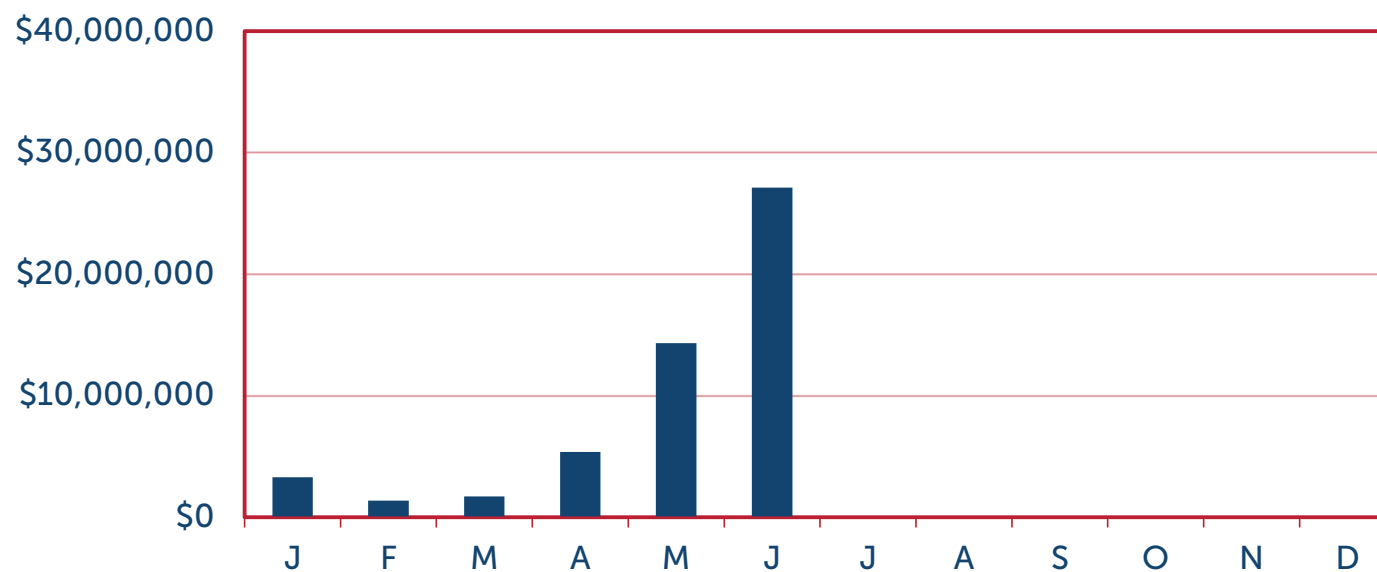
Millennium Corporate did access our FHLB line-of-credit (LOC) three times in June 2022. Millennium Corporate currently has a collateralized LOC of \$538.0 million with FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- June 2022 month-end figures show SimpliCD issuance totals of \$115.6 million/15 program users.
- Average loan balances are provided below:
 - January 2022 - \$3.3 million
 - February 2022 - \$1.4 million
 - March 2022 - \$1.7 million
 - April 2022 - \$5.2 million
 - May 2022 - \$14.3 million
 - June 2022 - \$27.1 million
 - July (to-date) - \$42.6 million

historical member overnight deposits



2022 average monthly member borrowings



IRR | net economic value (NEV)

NEV Testing Results May 2022						
	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	\$105,193,869	-	-	8.85%	Minimum Ratio – 2%	PASS
+300 bps Increase in Interest Rates	\$102,417,041	(\$2,776,828)	(2.64%)	8.69%	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 scenario.

capital commentary

- Increase to Retained Earnings during the past 12 months, through June 2022, is \$25,632,462
- Retained Earnings ratio is 3.37% as of June 2022 versus 1.72%, one year ago
- Millennium is categorized as **“Well Capitalized”**.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate’s June 2022 capital ratios, and the minimum regulatory requirement of each (where applicable).

Ratio	June 2022	Minimum Requirement
Retained Earnings	3.37%	0.45%
Tier 1 Capital	6.65%	4.00%
Tier 1 Risk-Based Capital	69.70%	4.00%
Total Risk-Based Capital	69.70%	8.00%
GAAP Capital	6.84%	

board meeting recap

Board of Director's Meeting | July 22, 2022

- Approved June 2022 Financial Statements & Committee Reports.
- Approved May 2022 Net Economic Value (NEV) Reports.
- Received updates on the following initiatives from management-
 - Discussed the decrease in average assets due to recent member loan growth and a decline member savings.
 - KDCU and NCUA conducted a joint exam the week of June 27 – July 1. 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. Management was pleased with the preliminary results.
 - Discussed some positive progress in July to allow CUs access to liquidity from the CLF through 2023 by utilizing corporate CUs serving as agent members on their behalf. The CLF amendment was approved in the House and now the bill needs to get through the Senate.
 - Update regarding the FedNow Pilot Program and upcoming Millennium webinar regarding FedNow.
 - It was noted that Millennium continues to exceed more than \$2.2 billion in off-balance assets & \$2.6 billion in safekeeping.
 - Discussed future FOMC rate increases expected at the end of July.
 - Reported on our second quarter marketing initiatives.
 - Board reviewed the quarterly budget to actual comparison.
 - Update on Corporate Asset Management Estates Recoveries and Claims as of March 2022.

board meeting recap

New Business - Board of Director's Meeting – July 22, 2022

- Since Millennium carries a “Bankers Bank” status with the Fed and maintains no reserves with the Fed, Millennium is not eligible to borrow from the Discount Window. To utilize all our liquidity options more efficiently, and in a time of quickly rising interest rates, rising inflation and in the faster payments environment, management believes it would be prudent to expand our liquidity sources even if we never draw on those sources. Adding the Fed Discount Window as an additional liquidity channel would provide an alternative source of short-term funds which would be considered as secondary to the FHLB of Topeka; provide an efficient outlet to utilize our asset-backed securities investment portfolio as collateral; and would provide an immediate source of funds to cover potential intra-day overdrafts. The first step to establish a line at the Discount Window is to relinquish our “Bankers Bank” status. The Board Approved that Management notify the Federal Reserve Bank of Kansas City of Millennium’s request by letter to relinquish our “Bankers Bank” status and approved the “Authorizing Resolutions for Borrowers” form.
- The Board held an Executive Session.

supervisory committee recap

Supervisory Committee Meeting | July 6, 2022

- Committee reviewed the risk assessments for Safekeeping, Juniper Payments and Jack Henry (Symitar).
- The Committee reviewed the recommendations from two Internal Audits: Wire Dual Authority and Business Continuity Program Documents, Testing and Training.
- Committee discussed the possible auditable units and were asked to complete a scorecard to assist with setting the internal audit schedule for the next twelve to fifteen months.
- Reviewed the draft findings from the KDCU/NCUA exam.
- 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 29, 2022

events calendar

August 2022

- **10-Wednesday** | Credit Committee Meeting
- **10-Wednesday** | Federal Reserve Bank/Millennium Monthly Touchpoint Meeting
- **11-Thursday** | FedNow Pilot Meeting
- **16-Tuesday** | Dakota CU Association Professional Forum
- **16-Tuesday** | Heartland CU Association – Top Connections for CUPAC
- **25-Thursday** | Millennium ALCO & Board Meeting
- **25-Thursday** | Heartland CU Association Virtual Town Hall Meeting
- **29-Monday** | Supervisory Committee Meeting