

# membership report

August 2023



**Millennium**  
CORPORATE CREDIT UNION

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# financial commentary

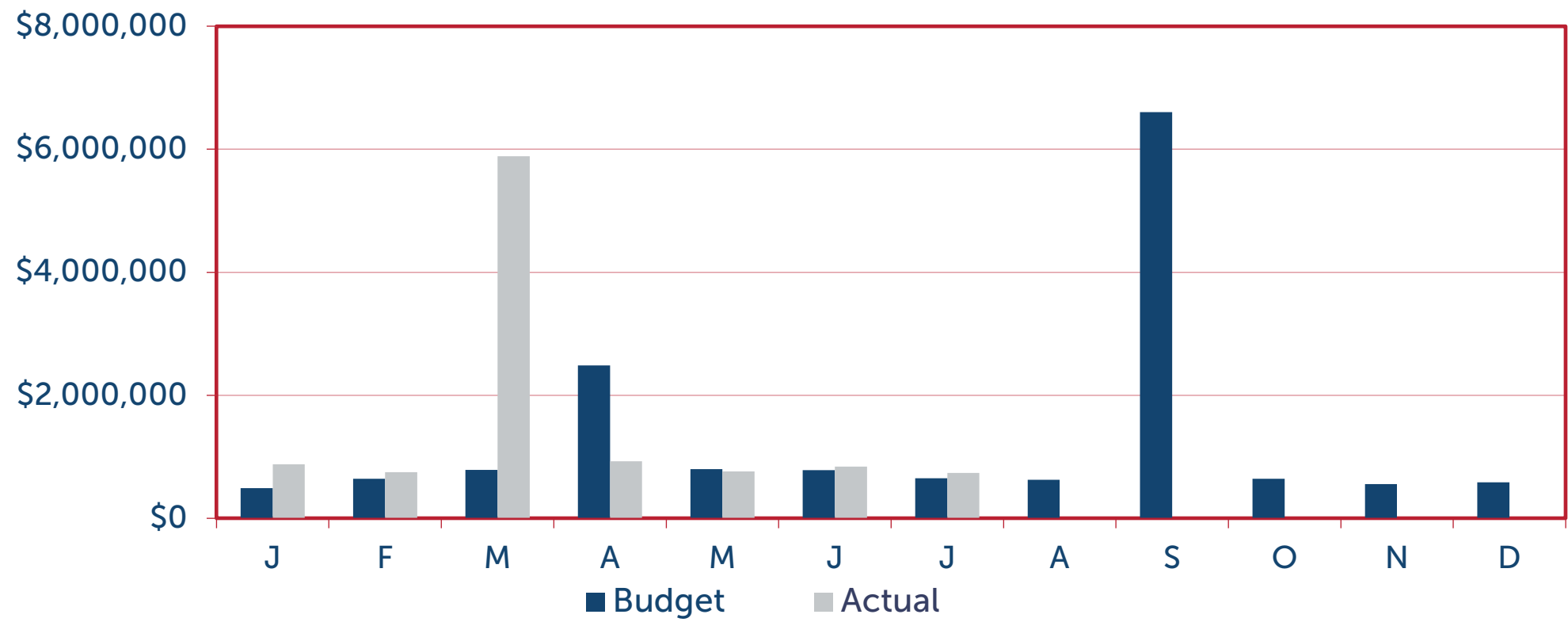
Net income for July was \$736,602, above budget by \$84,966 or 13.0% for the month. Net interest income was \$80,594 or 6.8% above budget due to the positive impact on our floating-rate investments. Non-interest income was above budget by \$18,102 or 3.2% due primarily to higher financial services and AIM income. Operating expenses were higher than budget by \$14,178 or 1.7% due to accruals for next year's Member Annual Meeting and additional salaries. CUSO income was more than budget by \$595 or 39.7%. PCC dividends were slightly higher than budget as Millennium paid a 5.75% rate on the account. The year-to-date coverage ratio (fee income/operating expenses) is improving at 66.9%, but still lower than the goal of 69.7% for the year.

The year-to-date Return on Assets (ROA), including the net impact of the USC Estate, is higher than budget due to the higher amount received with most recent distribution of the USC Estate. The ROA through July (on 212 days/365 basis) is 210.9 bps on average assets of \$879.8 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 \$924.3 million at the end of July, a decrease of \$16.6 million or 1.8% from the previous month.

Millennium is defined as **"Well Capitalized"** and we ended the month with Retained Earnings of \$70,385,032 representing a Retained Earnings ratio of 7.62% and a Tier 1 ratio of 13.18%.

# 2023 budget/actual net income



# YTD actual/budget variance | dollars

July 2023   YTD	Actual	Budget	Variance
Net Interest Income	\$9,516,250	\$8,365,275	+ \$1,150,975
+ Non-Interest Income	\$4,101,688	\$4,057,391	+ \$44,297
- Operating Expenses	\$6,130,413	\$5,807,361	(\$323,052)
= Net Operating Income	\$7,487,525	\$6,615,305	+ \$872,220
+ CUSO Gains/Losses	\$33,639	\$13,908	+ \$19,731
- PCC Dividends	\$1,666,826	\$1,700,409	+ \$33,583
- Potential Rebate	\$350,000	\$0	(\$350,000)
+ USC Estate (Net Gain)	\$5,274,961	\$1,703,310	+ \$3,571,651
= Net Income	\$10,779,300	\$6,632,114	+ \$4,147,186

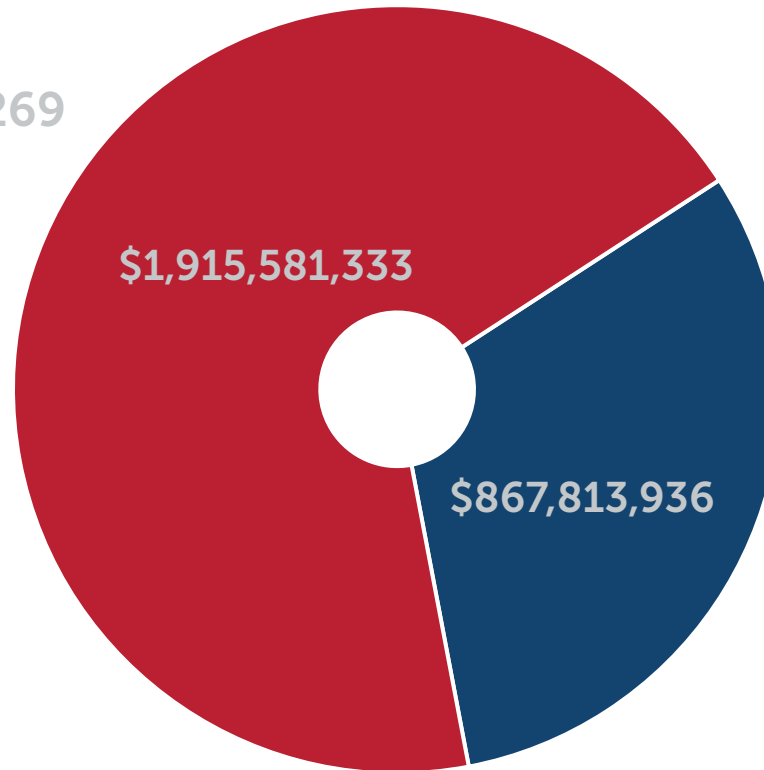
# YTD actual/budget variance | bps (Act/365)

July 2023   YTD	Actual	Budget	Variance
Net Interest Income	186.2 bps	130.1 bps	+ 56.1 bps
+ Non-Interest Income	80.3 bps	63.1 bps	+ 17.2 bps
- Operating Expenses	120.0 bps	90.3 bps	(29.7 bps)
= Net Operating Income	146.5 bps	102.9 bps	+ 43.6 bps
+ CUSO Gains/Losses	0.7 bps	0.2 bps	+ 0.5 bps
- PCC Dividends	32.6 bps	26.4 bps	(6.2 bps)
- Potential Rebate	6.9 bps	0.0 bps	(6.9 bps)
+ USC Estate (Net Gain)	103.2 bps	26.5 bps	+ 76.7 bps)
= Net Income	210.9 bps	103.2 bps	+ 107.7 bps
Average Assets	\$879.8 M	\$1,106.8 M	(\$227.0 M)

# total assets | on- and off-balance sheet

**July 2023**

Total Managed Assets - \$2,783,395,269



■ On-Balance Sheet ■ Off-Balance Sheet

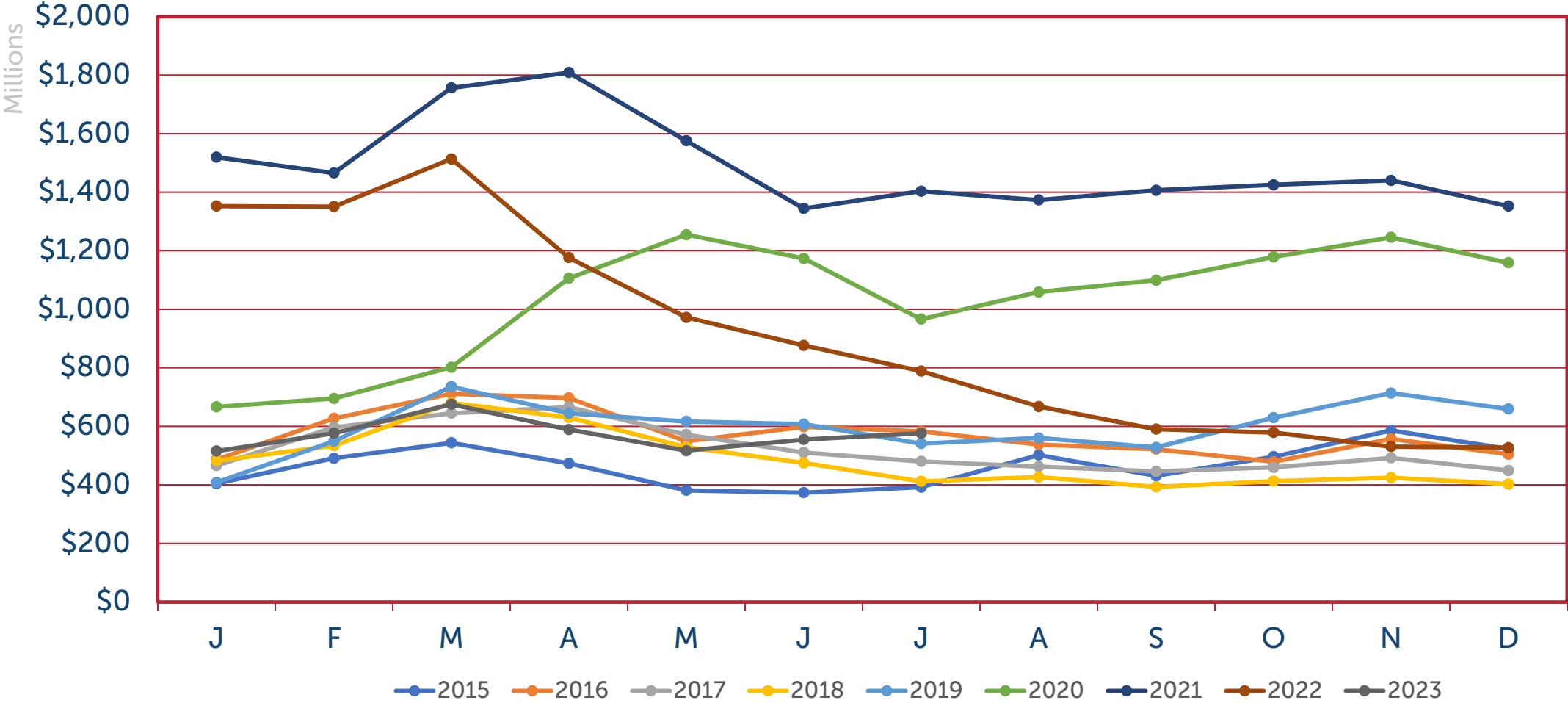
# liquidity commentary

Millennium Corporate accessed the FHLB LOC for a few days in July. During the month of July, Millennium borrowed \$50 million at the beginning of each week and paid it off prior to the end of the week. Millennium currently has a collateralized LOC of \$434 million with FHLB and a collateralized LOC of \$46.0 million with the Federal Reserve Bank of Kansas City.

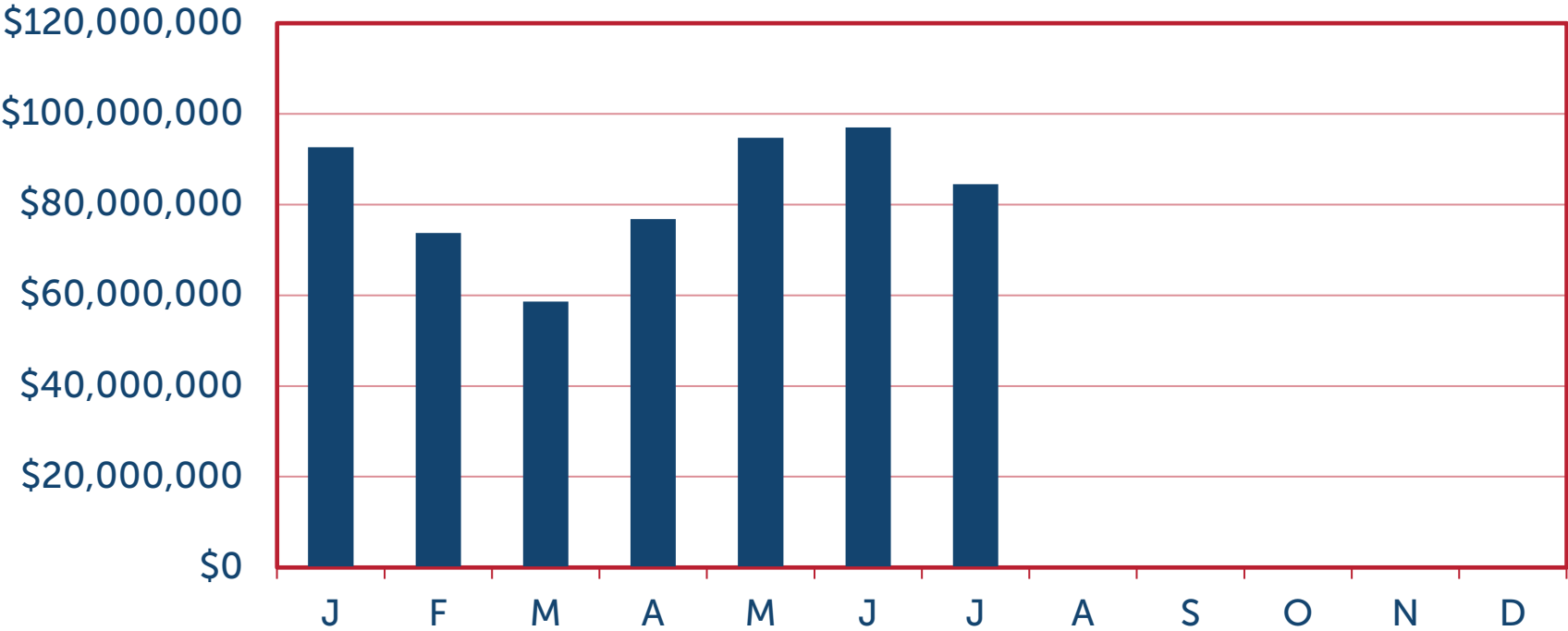
- Millennium's liquidity options remain sufficient to meet member needs.
- July 2023 month-end figures show SimpliCD issuance, which provides members access to additional liquidity, is at a total of \$185.5 million with 20 member users.
- Average member loan balances are provided below:
  - February 2023 - \$73.8 million
  - March 2023 - \$58.6 million
  - April 2023 - \$76.8 million
  - May 2023 - \$94.7 million
  - June 2023 - \$97.0 million
  - July 2023 - \$84.5 million
  - August (to date) - \$81.0 million



# historical member overnight deposits



# 2023 average monthly member borrowings



# IRR | net economic value (NEV)

NEV Testing Results   June 2023						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$119,386,169	+ \$3,443,528	+ 2.97%	10.39%	Minimum Ratio – 2%	PASS
					Max % Change – (15%)	PASS
Base Case	\$115,942,641	-	-	10.17%	Minimum Ratio – 2%	PASS
+300 bps Increase in Interest Rates	\$111,238,029	(\$4,704,612)	(4.06%)	9.84%	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 July 2023, is \$17,230,626.
- Retained Earnings ratio is 7.62% as of July 2023 versus 3.51%, one year ago
- Millennium is categorized as “Well Capitalized”.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium’s July 2023 capital ratios, and the minimum regulatory requirement of each (where applicable).

Ratio	July 2023	Minimum Requirement
Retained Earnings	7.62%	0.45%
Tier 1 Capital	13.18%	4.00%
Tier 1 Risk-Based Capital	89.08%	4.00%
Total Risk-Based Capital	89.08%	8.00%
<b>GAAP Capital</b>	<b>13.49%</b>	

# board meeting recap

## Board of Director's Meeting | August 24, 2023

- Approved the Consent Agenda which included: prior meeting minutes; ALCO report; CC report; SC report and the ERM report.
- Approved July 2023 Financial Statements
- Approved June 2023 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management-
  - Continued discussion regarding liquidity trends amongst Millennium membership.
  - Discussed the recent NCUA Letters to CUs regarding importance of contingency funding plans and cyber incident notifications.
  - Discussed recent correspondence from the Liquidating Agent of the USC Estate
  - Update on FedNow Pilot activities & the FedNow was launched on July 20<sup>th</sup> with thirty-five participating financial institutions (including Millennium), the U.S. Treasury and sixteen service providers (including Juniper Payments). Millennium is Settlement Only initially and will advance to Receipt Only stage at a future date.
  - Update on Millennium's "System Modernization Project" which involves sixty-seven CUs – as of August 29<sup>th</sup> fifty-seven CUs or 85.1% have been installed and are live on the new system.
  - Board discussed the recent announced proposed merger of CUNA and NAFCU
  - Discussed the upcoming events including Millennium's 3Q Nosh & Network sessions on September 7<sup>th</sup> in Omaha, NE, and Springfield, MO, and the CUBG Business Lending Bootcamp on September 27-28 in Wichita, KS at the Millennium office.

# board meeting recap

## Old Business – Reviewed the financial results of our CUSO investments as of June 2023

- Primary Financial Company, LLC (SimpliCD) had net income of \$239,431 for the first half of 2023. The company has total equity of \$16.8 million, representing an equity ratio of 41.1%. Millennium ended June with outstanding SimpliCD balances of \$624.1 million and SimpliCD issuance of \$186.9 million, an option used by Millennium members to generate additional liquidity. Millennium's current ownership percentage is 12.0% and our investment amount is \$2,018,165.
- CU Business Group, LLC (CUBG) had net loss of \$171,824 for the first half of 2023. Total equity is \$3.6 million, representing an equity ratio of 61.7% as of June 2023. During the past quarter CUBG had several reviews (loan review, SSAE, financial audit) with no material exceptions. The increase in interest rates and a tight liquidity environment in the CU industry has contributed to a slower than expected 2023 for CUBG. Millennium's current ownership percentage is 4.41% and our investment amount is \$120,000.
- CU Investment Solutions, LLC (ISI) year-to-date loss is \$1,121,478. ISI's fiscal year runs from October 2022 through September 2023, and they had budgeted a loss for the 2023 fiscal year. As of June 2023, ISI had retained earnings of \$1,579,162, reflecting an equity ratio of 51.9%. Millennium's current ownership percentage is 22.2% and our investment amount is \$785,166.
- CULedger Heartland, LLC – in December 2021, based on the continued unprofitability of CULedger/Bonifii, Millennium management decided to write down our investment in CULedger-Heartland to \$1.

# board meeting recap

## Old Business – Measures & Targets

- In accordance with Millennium's Strategic Plan, the Board and Management tracks the progress of the measures and targets on a quarterly basis. At this meeting, the Board reviewed the status of the measures and targets as of 2Q 2023. Additionally, the Board was provided an update on the progress on our 2023 Strategic Plan and the 3Q priorities.

# board meeting recap

## New Business

- Due to recent staffing changes, several policies needed to be updated and revised. The first revision was for Asset-Liability Management Policy to update the members of the ALCO. The Internal Operations & Controls Policy was updated for the positions authorized to sign checks, contracts, and approve charge-offs. The Enterprise Risk Management Policy was updated to reflect the positions which comprise the Enterprise Risk Management Committee. The Board approved the proposed revisions to the Asset-Liability Management Policy, Internal Operations & Controls Policy and the Enterprise Risk Management Policy.
- Representatives from the Kansas Department of Credit Unions (Gail Bright, Financial Examiner Supervisor), National Credit Union Administration (Lena Downing-Handy, NCUA/ONES Examiner-In-Charge and Jerry Rivas, National Information System Officer) presented the 2023 joint KDCU/NCUA examination report of Millennium to the members of the Board and Management. The examination effective date was April 30, 2023.



# credit committee recap

## Credit Committee Meeting | August 16, 2023

- Committee reviewed and approved 38 lines-of-credit
- Committee reviewed the Monitor Report
- Committee canceled two lines-of-credit - one due to a merger and one at the CU's request
- Committee performed the semi-annual net worth ratio review
- Current Advised LOC status – 230 Lines/\$1,281,549,097
- Committee reviewed the July 2023 cash flow graphs and LOC coverage projections report
- Next meeting – October 18, 2023

# supervisory committee recap

## Supervisory Committee Meeting | August 29, 2023

- Committee reviewed the results of the ACH risk assessment
- Committee reviewed the new "Patch Management" reports which includes more details, including a patch aging report.
- Committee reviewed the final 2023 joint KDCU/NCUA examination report - the examination effective date was April 30, 2023.
- Committee was updated on the status of the Internal Audit Planning Schedule for 2023 and 2024.
- 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 30, 2023.

# events calendar

## September 2023

- **4-Monday** | Millennium Closed – Observation of Labor Day
- **5-Tuesday** | Weekly FedNow – Juniper Payments & Millennium Meeting
- **7-Thursday** | 3Q Nosh & Network Webinar Sessions in Omaha, NE & Springfield, MO featuring Dr. Elliot Eisenberg
- **12-Tuesday** | Weekly FedNow – Juniper Payments & Millennium Meeting
- **12-15 Tues-Fri** | Cornerstone League's Elevate CU Leadership Summit – Oklahoma City, OK
- **13-Wednesday** | Federal Reserve Bank/Millennium Monthly Touchpoint Meeting
- **19-Tuesday** | Enterprise Risk Management Committee Meeting
- **21-Thursday** | Kansas Department of Credit Union – CU Council Meeting – Topeka, KS
- **21-22 Thur-Fri** | Montana CUs - CEO/Manager Roundtable Meeting – Red Lodge, MT
- **26-Tuesday** | Weekly FedNow – Juniper Payments & Millennium Meeting
- **27-28 Wed-Thur** | CUBG Business Lending Bootcamp – Wichita, KS
- **27-28 Wed-Thur** | Millennium's Planning Session
- **29-Friday** | Millennium ALCO & Board Meeting – Excelsior Springs, MO