

# membership report

January 2023



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# year-end financial commentary

Net income for 2022 was \$15,539,245, under the revised budget by \$669,502 or 4.1% for the year. Net-interest income was \$1,480,754 or 21.8% above budget due to the higher-than-expected FOMC rate increases through the year and the positive impact on our floating-rate investments. Non-interest income was higher than the revised budget by \$137,656 or 2.2% due to increased usage of all our financial services categories. For the first time, Millennium exceeded \$6 million in non-interest income in a year. Operating expenses were above the revised budget by \$216,304 or 2.6% due to financial services expenses associated with vendors and accruals for a more robust Annual Meeting. CUSO income was lower than the budget, \$14,734 or 25.2%, due to a higher loss than budgeted from one of our CUSO investments. Other gains and losses include a net gain from the USC Estate of \$1,320,934 and an unbudgeted \$3,256,327 loss for goodwill impairment from the item processing purchase. PCC dividends were higher than budget, \$121,481 or 11.9%, as the FOMC continues to raise overnight rates and therefore, Millennium raised rates we paid to members. The 2022 coverage ratio (fee income/operating expenses) was 73.7%, which is slightly lower than the goal of 74.0% for the year.

The Return on Assets (ROA) for the year was 123.6 bps (on an actual/365 basis) on average assets of \$1,256.9 million. The ROA was 5.3 bps lower than the revised budget.

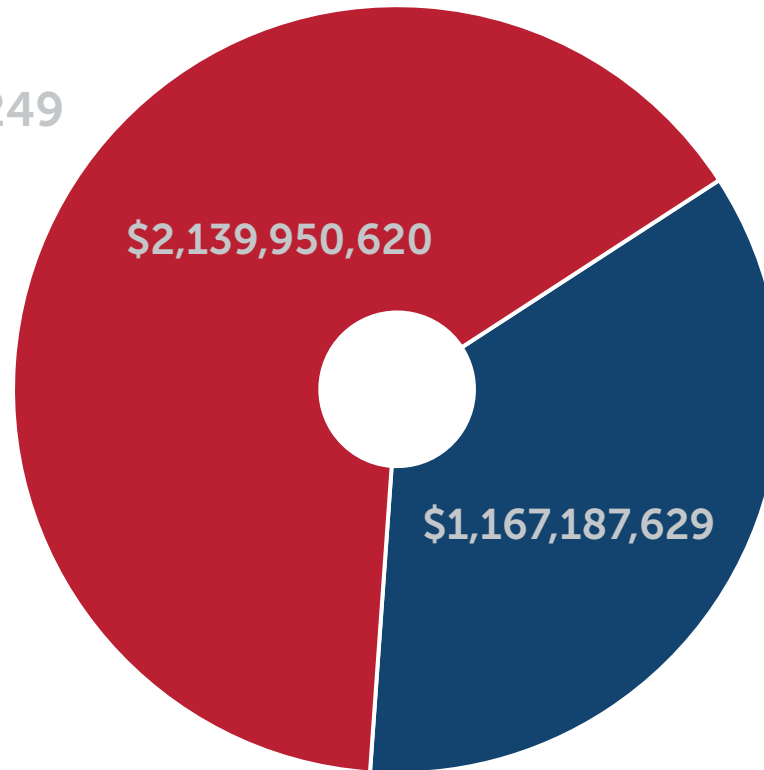
Millennium's daily average net assets (DANA) for the previous 12-month period, which is used for the calculation of our capital ratios, was \$1,256.9 million at the end of December, a decrease of \$430.5 million or 25.5% from the previous year.

Millennium is defined as **"Well Capitalized"** and we ended the month with Retained Earnings of \$59,605,732, representing a Retained Earnings ratio of 4.74% and a Tier 1 ratio of 8.83%.

# total assets | on- and off-balance sheet

**December 2022**

Total Managed Assets - \$3,307,138,249



■ On-Balance Sheet ■ Off-Balance Sheet

# 2022 actual/revised budget variance | dollars

December 2022   YTD	Actual	Revised Budget	Variance
Net Interest Income	\$8,267,842	\$6,787,088	+ \$1,480,754
+ Non-Interest Income	\$6,340,695	\$6,203,039	+ \$137,656
- Operating Expenses	\$8,602,320	\$8,386,016	(\$216,304)
= Net Operating Income	\$6,006,217	\$4,604,111	+ \$1,402,106
- CUSO Gains/Losses	\$73,223	\$58,489	(\$14,734)
- PCC Dividends	\$1,140,391	\$1,018,910	(\$121,481)
- Impairment of Goodwill	\$3,256,327	\$0	(\$3,256,327)
+ USC Estate (Net Gain)	\$14,002,969	\$12,682,035	+ \$1,320,934
= Net Income	\$15,539,245	\$16,208,747	(\$669,502)

# 2022 actual/revised budget variance | bps (Act/365)

December 2022   YTD	Actual	Revised Budget	Variance
Net Interest Income	65.8 bps	54.0 bps	+ 11.8 bps
+ Non-Interest Income	50.4 bps	49.3 bps	+ 1.1 bps
- Operating Expenses	68.4 bps	66.7 bps	(1.7 bps)
= Net Operating Income	47.8 bps	36.6 bps	+ 11.2 bps
- CUSO Gains/Losses	0.6 bps	0.5 bps	(0.1 bps)
- PCC Dividends	9.1 bps	8.1 bps	(1.0 bps)
- Impairment of Goodwill	26.0 bps	0.0 bps	(26.0 bps)
+ USC Estate (Net Gain)	111.5 bps	100.9 bps	10.6 bps
= Net Income	123.6 bps	128.9 bps	(5.3 bps)
Average Assets	\$1,256.9 M	\$1,257.9 M	(\$1.0 M)

# key factors driving results

Due to the significant impact of lower-than-expected levels of liquidity, higher than expected FOMC rate increases and a later than expected purchase of the item processing business the Board approved a revised budget at the August meeting.

- Actual asset balances were slightly lower than expected in the revised budget by \$1.0 million or 0.1%.
- Net-Interest Income is higher than the revised budget by \$1,480,754 or 21.8% due to the higher-than-expected FOMC rate increases through the year and the positive impact on our floating-rate investments.

## Fees/Operating Expenses

- Non-interest income is higher than the revised budget at \$137,656 or 2.2% due to increased usage of our financial services, item processing, AIM and commission income.
- Overall Operating Expenses are \$246,304 or 2.9% higher primarily due to financial service expenses and accruals for 2023 annual meeting.
- Coverage Ratio is 73.7% lower than the revised budgeted 74.0%.

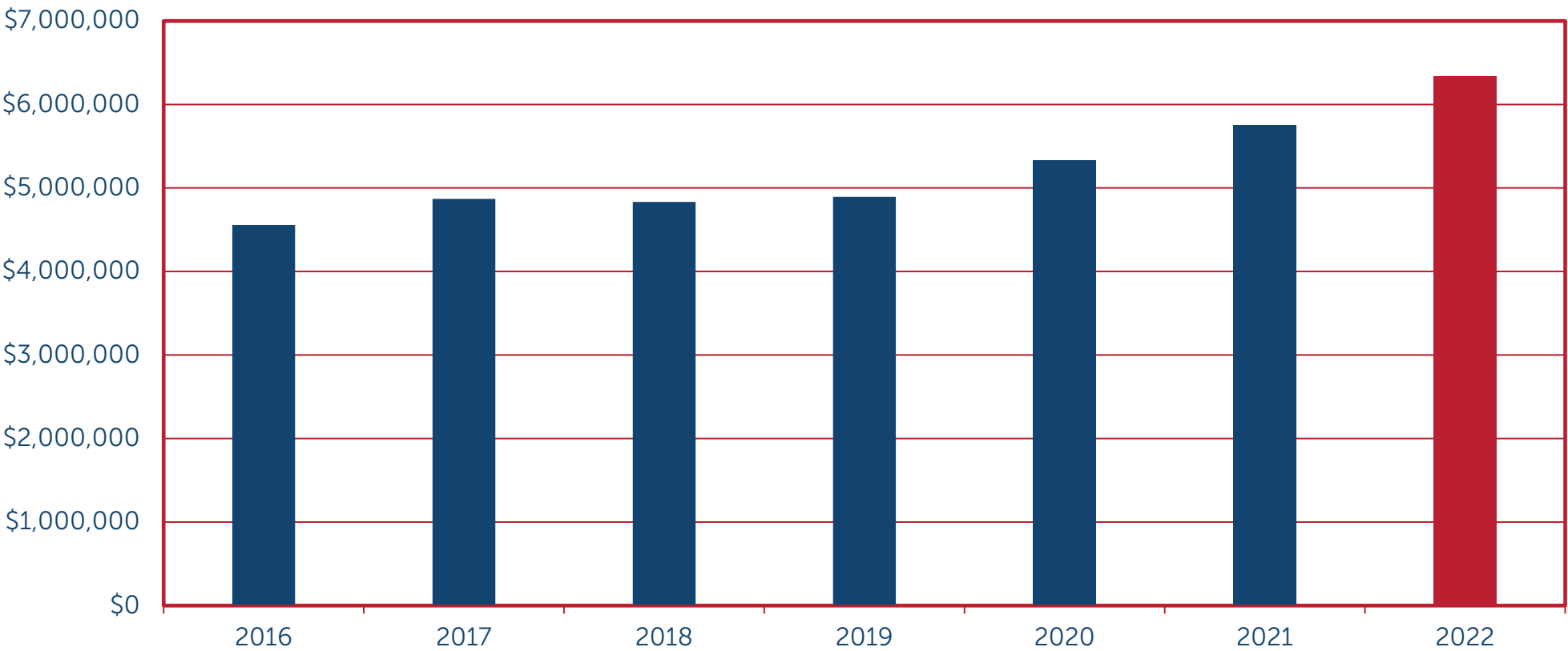
## Other Gains/Losses

- Biggest factor driving results is the impairment of goodwill of \$3,256,327 – an unbudgeted negative factor.
- The higher-than-expected partial payment of USC Estate – a positive net impact of \$1.3 million.

## PCC Dividends

- PCC dividends were higher by \$121,481 or 11.9% due to the higher-than-expected FOMC rate increases.

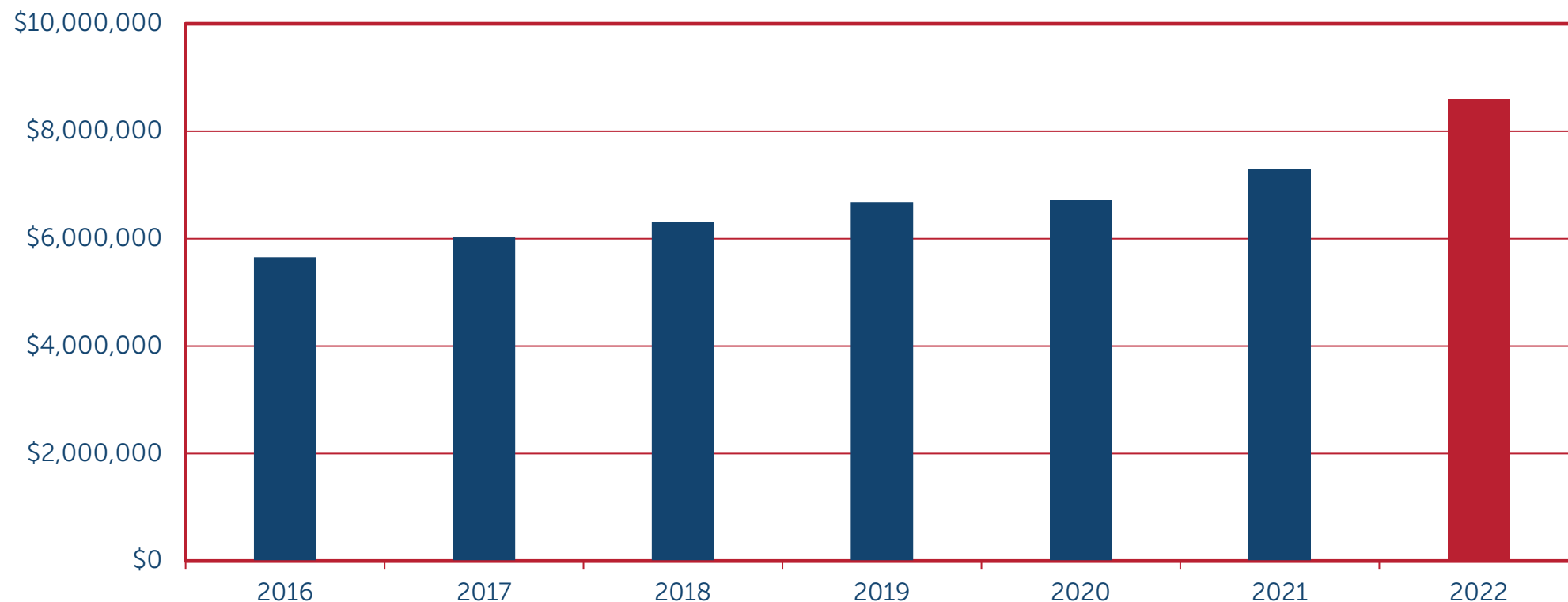
# annualized non-interest income trends



Non-interest income exceeded last year by \$556,208 or 9.7% - a record high and the only time non-interest exceeded \$6 million for a year.

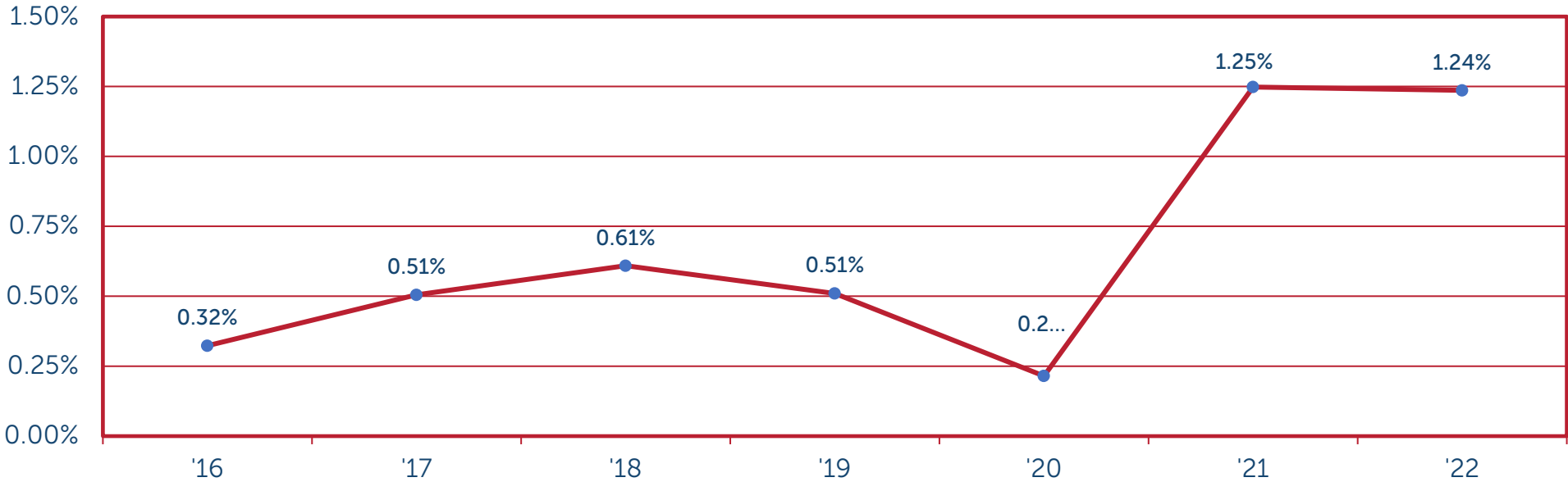


# annualized operating expense trends



Operating expenses are higher in 2022, primarily due to accruals for a bigger annual meeting, professional services and increased usage of financial services which also increases our costs that we pay to partners/vendors. Overall, our operating expenses were 2.6% higher than our revised budget. Millennium's coverage ratio of 73.7% was lower than budget at 74.0%.

# historical return on assets

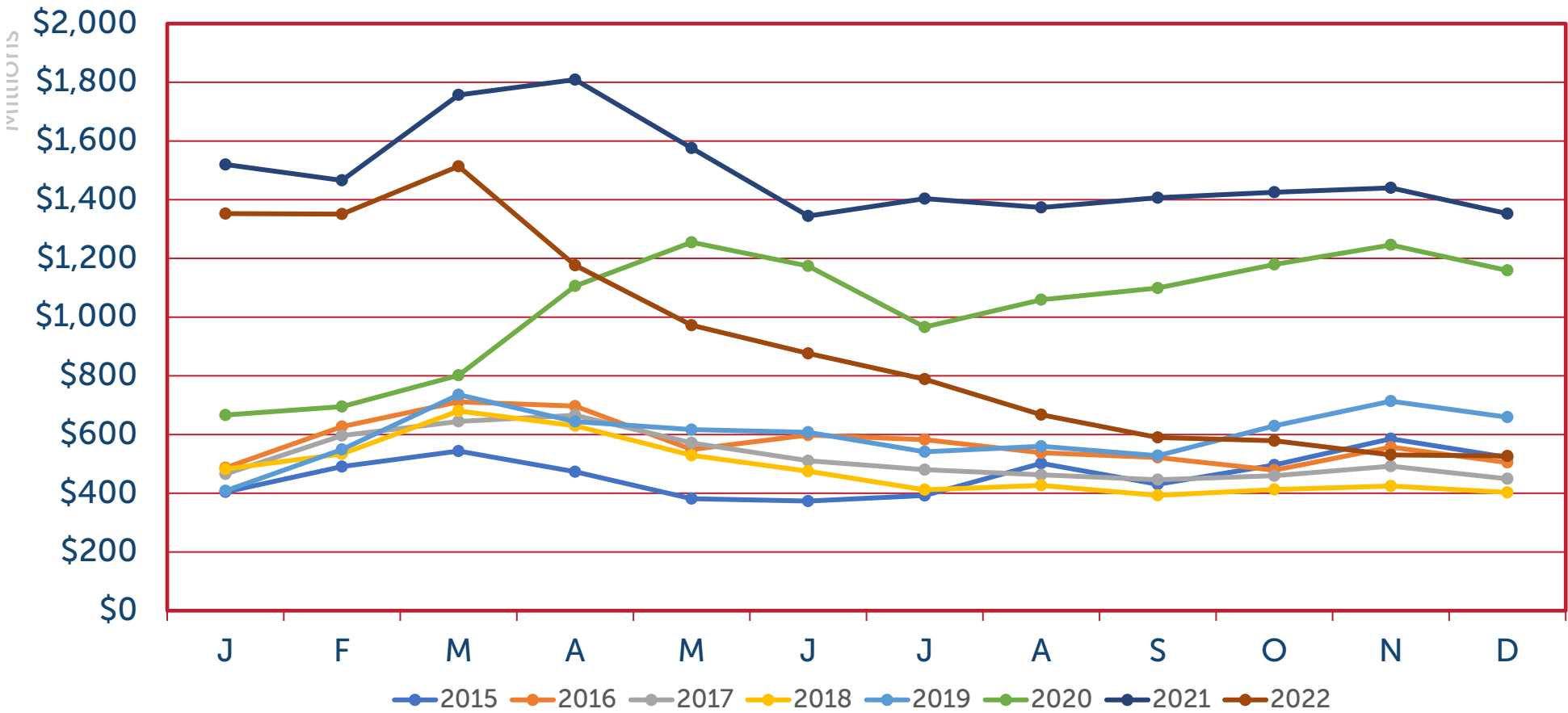


# liquidity commentary

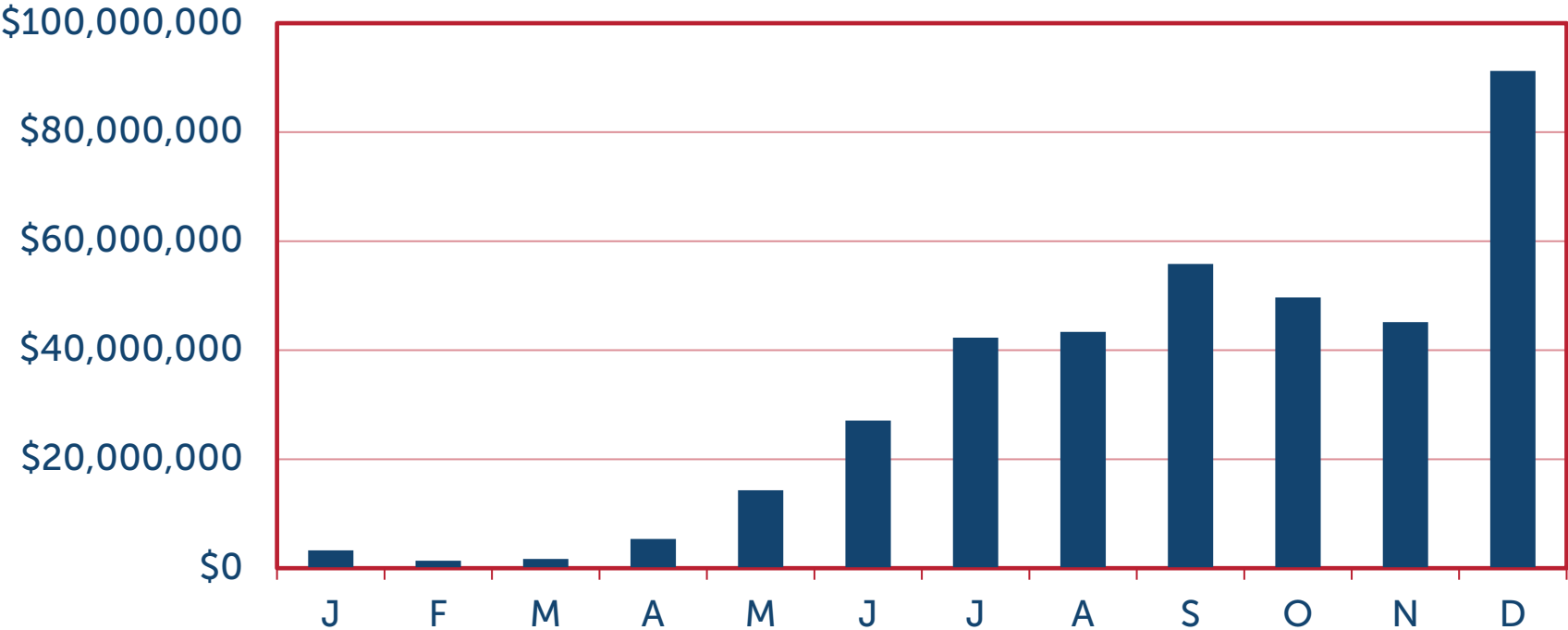
Millennium Corporate accessed our FHLB line-of-credit (LOC) throughout most of September, October, November, December and January. Millennium currently has a collateralized LOC of \$480.0 million with FHLB and a collateralized LOC of \$107.0 million with the Federal Reserve Bank of Kansas City.

- Millennium's liquidity options remain sufficient to meet member needs.
- December 2022 month-end figures show SimpliCD issuance, which provides members access to additional liquidity, is at a record high with a total of \$180.3 million with 22 member users.
- Average loan balances are provided below:
  - July 2022 - \$42.3 million
  - August 2022 - \$43.4 million
  - September 2022 - \$55.8 million
  - October 2022 - \$49.7 million
  - November 2022 - \$45.2 million
  - December 2022 - \$91.2 million
  - January 2023 (to-date) - \$92.5 million

# historical member overnight deposits



# 2022 average monthly member borrowings



# IRR | net economic value (NEV)

NEV Testing Results   November 2022						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$117,370,934	+ \$4,842,211	+ 4.30%	12.80%	Minimum Ratio – 2%	PASS
					Max % Change – (15%)	PASS
Base Case	\$112,528,723	-	-	12.41%	Minimum Ratio – 2%	PASS
+300 bps Increase in Interest Rates	\$107,341,598	(\$5,187,125)	(4.61%)	11.98%	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 December 2022, is \$15,539,245.
- Retained Earnings ratio is 4.74% as of December 2022 versus 2.61%, one year ago
- Millennium is categorized as **"Well Capitalized"**.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium's December 2022 capital ratios, and the minimum regulatory requirement of each (where applicable).

Ratio	December 2022	Minimum Requirement
Retained Earnings	4.74%	0.45%
Tier 1 Capital	8.83%	4.00%
Tier 1 Risk-Based Capital	74.42%	4.00%
Total Risk-Based Capital	74.42%	8.00%
<b>GAAP Capital</b>	<b>9.06%</b>	

# board meeting recap

## Board of Director's Meeting | January 26, 2023

- Approved December 2022 Financial Statements & Committee Reports
- Approved November 2022 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management-
  - Correspondence/information from KDCU and NCUA since the last board meeting, including the 2023 Supervisory Priorities.
  - That the Omnibus spending bill to allow corporates to be “Agent Members” of the CLF for groups of CUs wasn’t included. As a result, Millennium’s Agent Membership in the CLF was closed at the end of 2022.
  - Continued discussion regarding liquidity trends amongst the membership as Millennium’s assets have decreased due to loan growth and a decline in member savings.
  - Advocacy opportunities with our association partners in February
  - FedNow status and a January in-person meeting with Federal Reserve Bank staff, Juniper Payments staff and Millennium staff.
  - Reported on our fourth quarter marketing initiatives
  - On-site visit from FIS regarding timeframes for future upgrades and future conversions for item processing product.
  - Reviewed the quarterly budget/actual comparison.
  - January 2023 PCC rate will be 4.75%.



# board meeting recap

## New Business | January 26, 2023

- The Board requested a *De Minimis Cap* with the Federal Reserve Bank of Kansas City as our net debit cap category. This is a result of Millennium exiting the Bankers' Bank designation, and in turn having access to intraday credit in our Federal Reserve Bank accounts. This will benefit Millennium by providing flexibility in managing liquidity more efficiently.
- The Board approved the 2023 Budget with the following outcomes:
  - ROA of 148.9 bps
  - Net Income - \$15,644,337
  - 2023 Daily Average Net Assets - \$1,050,416,667
  - Projected December 2023 Retained Earnings Ratio of 7.16%
  - Projected December 2023 Tier 1 Capital Ratio of 12.07%

# events calendar

## February 2023

- **1-Wednesday** Nebraska CU League's - Jam the Unicam
- **6-Monday** Kansas Department Credit Union Council Meeting
- **6-Monday** Cornerstone Association's – Kansas Day at the Capitol
- **7/8-Tuesday/Wednesday** MonDak Roundtable Meeting
- **8-Wednesday** Federal Reserve Bank/Millennium Monthly Touchpoint Meeting
- **13-Monday** Supervisory Committee Meeting
- **14-Tuesday** Cornerstone Association's – Missouri Day at the Capitol
- **20-Monday** Presidents' Day – Millennium Offices Closed
- **22-Wednesday** Millennium Credit Committee Meeting
- **23-Thursday** Millennium ALCO & Board Meeting
- **23-Thursday** FedNow Pilot Meeting
- **26-Sunday/March 1-Sunday** CUNA Governmental Affairs (GAC)

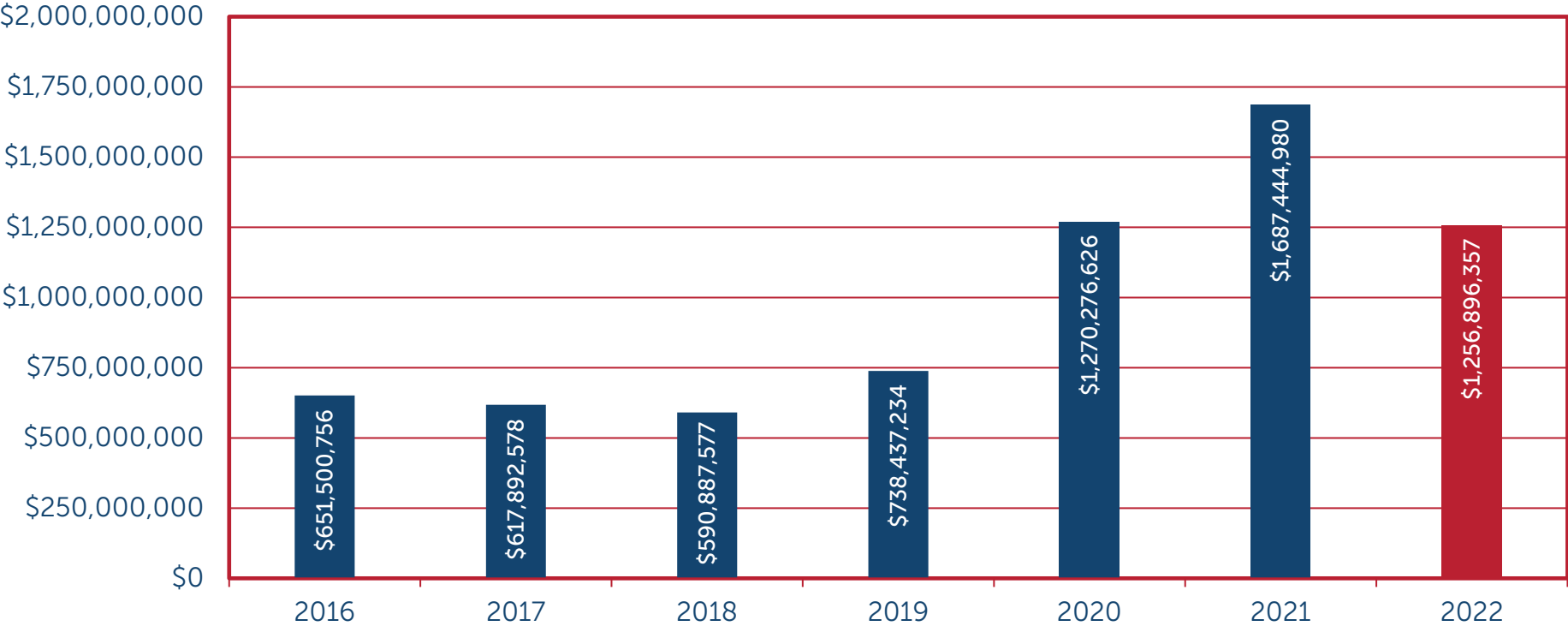
year-end info (2016 – 2022)

Since Most Recent Merger

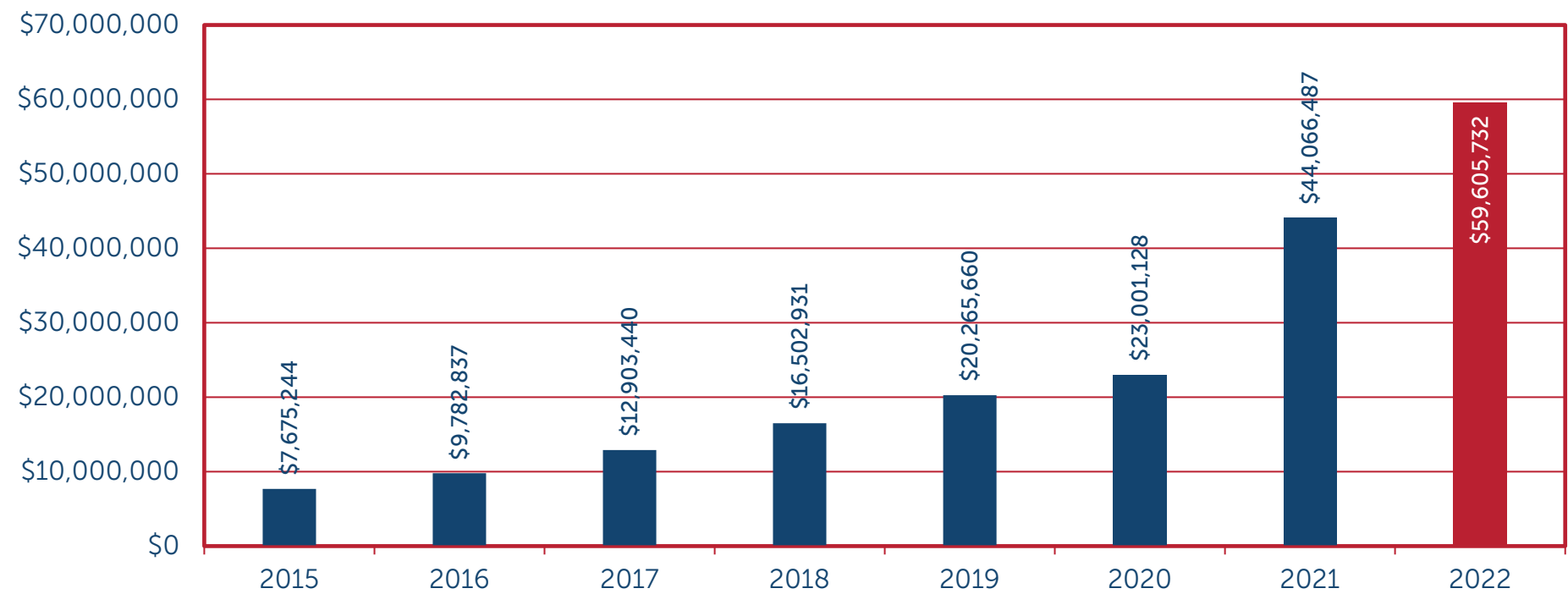


**Millennium**  
CORPORATE CREDIT UNION

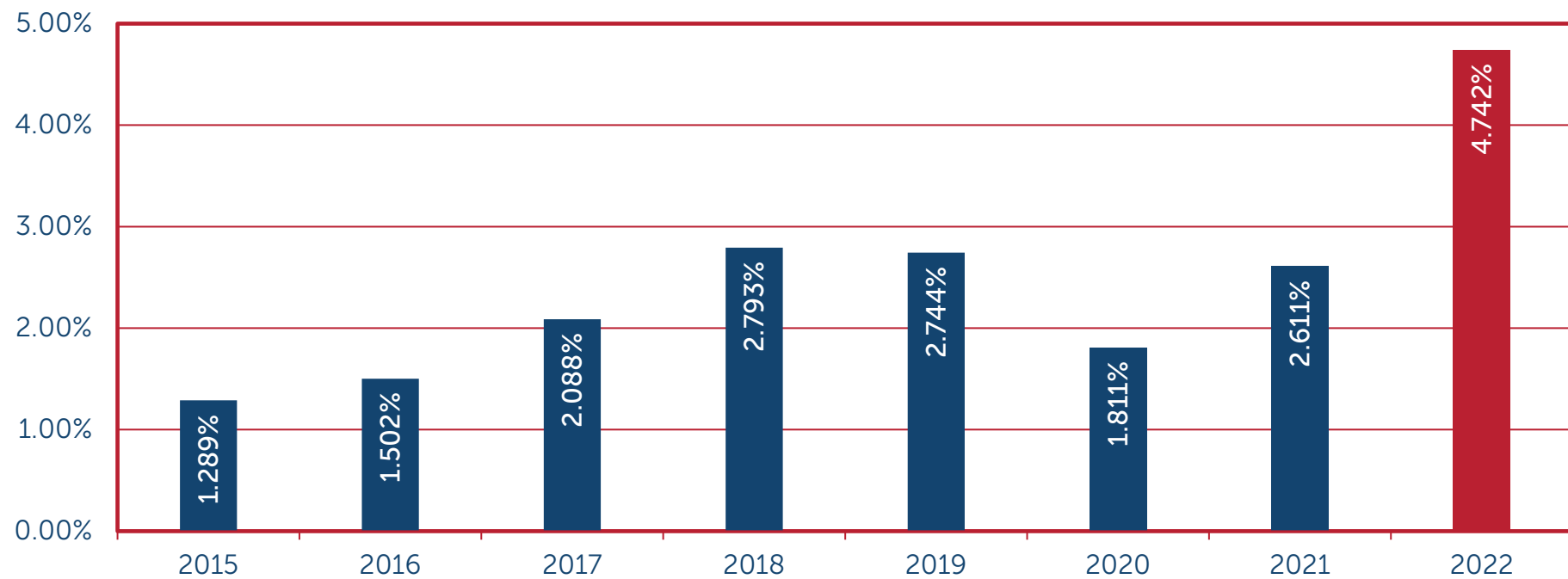
# daily average net assets



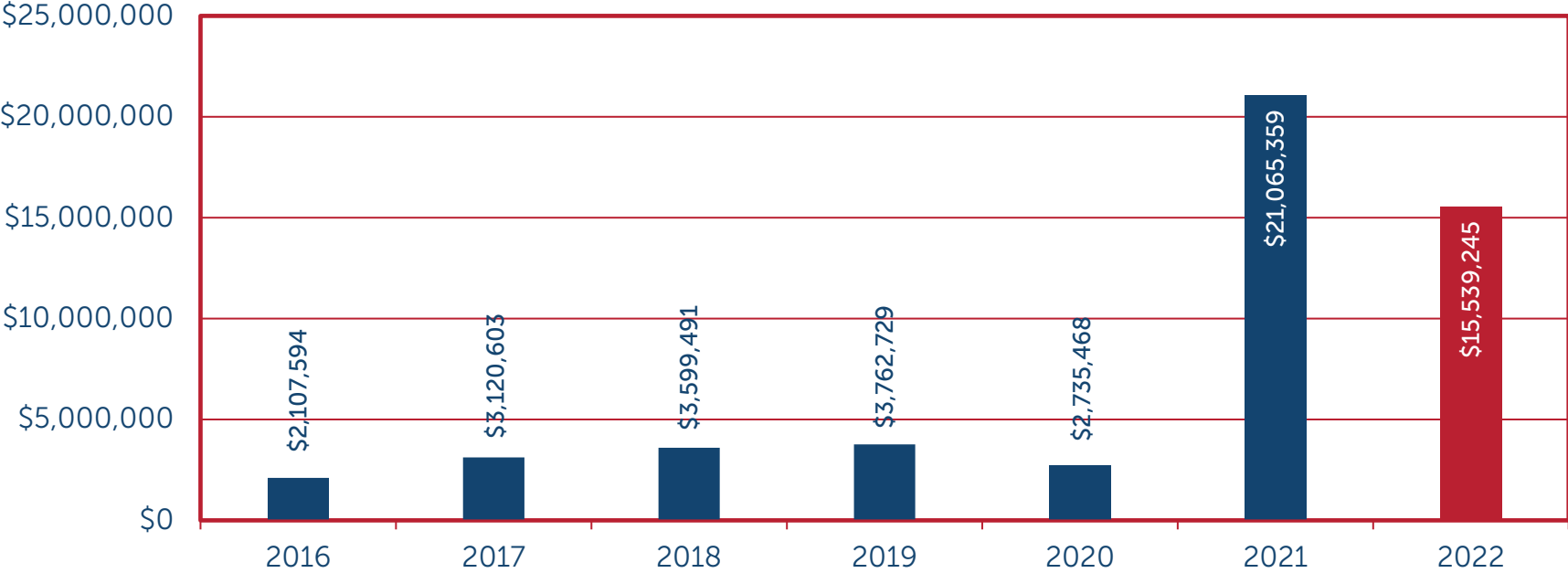
# retained earnings



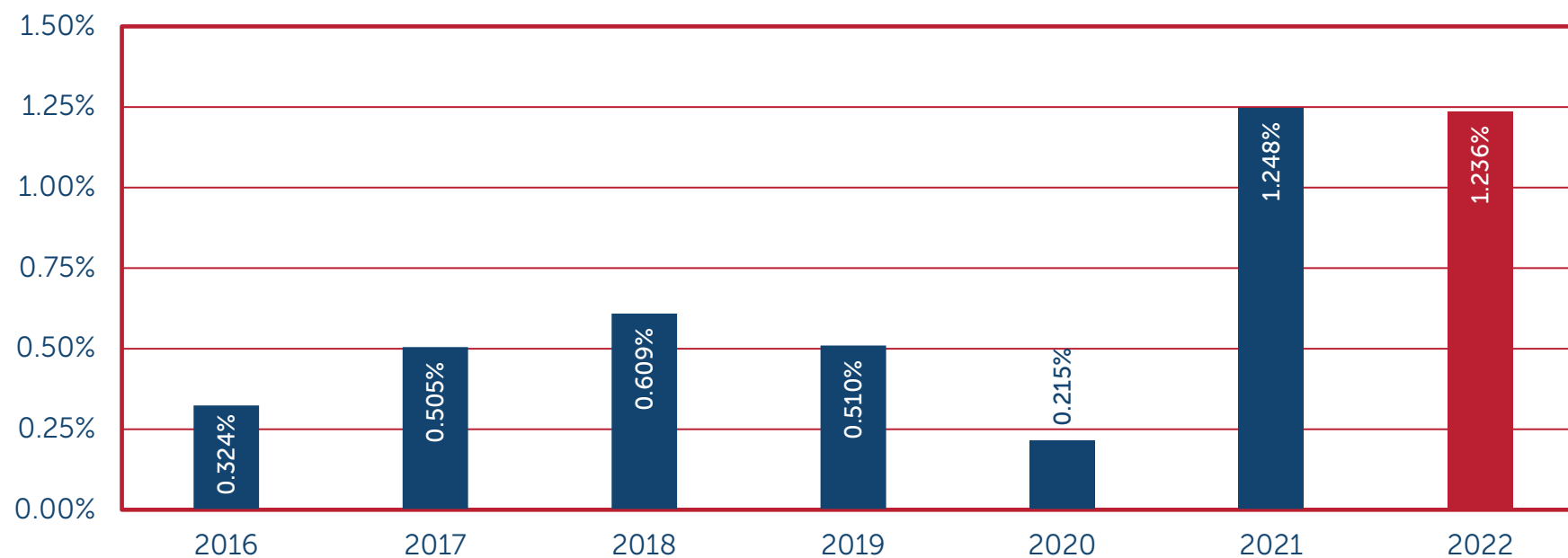
# retained earnings ratio



# net income



# return on assets (ROA)





# total dividends paid

