

membership report

July 2023



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financial commentary

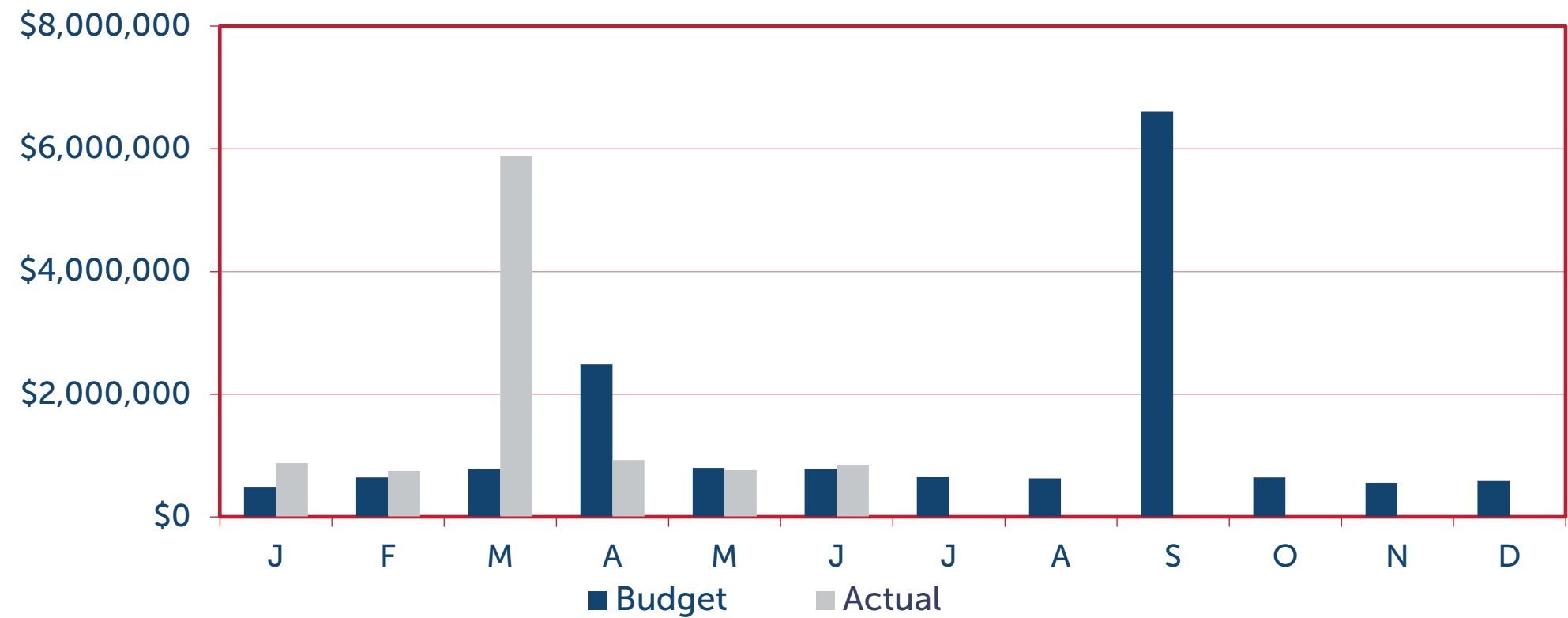
Net income for June was \$842,162, above budget by \$60,428 or 7.7% for the month. Net interest income was \$35,320 or 2.8% above budget due to the positive impact on our floating-rate investments. Non-interest income was above budget by \$20,245 or 3.4% due primary to higher AIM and financial services income. Operating expenses were higher than budget by \$8,095 or 1.0% due to an accrual for next year's Member Annual Meeting. CUSO income was more than budget by \$1,811 or 120.7%. PCC dividends were slightly lower than budget as Millennium paid a 5.50% rate on the account. The year-to-date coverage ratio (fee income/operating expenses) is improving at 66.7%, 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 the budget due to the higher amount received with most recent distribution of the USC Estate. The ROA through June (on 181 days/365 basis) is 229.7 bps on average assets of \$881.5 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 \$940.9 million at the end of June, a decrease of \$25.1 million or 2.6% from the previous month.

Millennium is defined as "**Well Capitalized**" and we ended the month with Retained Earnings of \$69,648,430, representing a Retained Earnings ratio of 7.40% and a Tier 1 ratio of 12.86%.

2023 budget/actual net income



YTD actual/budget variance | dollars

June 2023 YTD	Actual	Budget	Variance
Net Interest Income	\$8,246,615	\$7,176,234	+ \$1,070,381
+ Non-Interest Income	\$3,521,713	\$3,495,518	+ \$26,195
- Operating Expenses	\$5,280,403	\$4,971,529	(\$308,874)
= Net Operating Income	\$6,487,925	\$5,700,223	+ \$787,702
+ CUSO Gains/Losses	\$31,544	\$12,408	+ \$19,136
- PCC Dividends	\$1,401,733	\$1,435,463	+ \$33,730
- Potential Rebate	\$350,000	\$0	(\$350,000)
+ USC Estate (Net Gain)	\$5,274,961	\$1,703,310	+ \$3,571,651
= Net Income	\$10,042,698	\$5,980,478	+ \$4,062,220

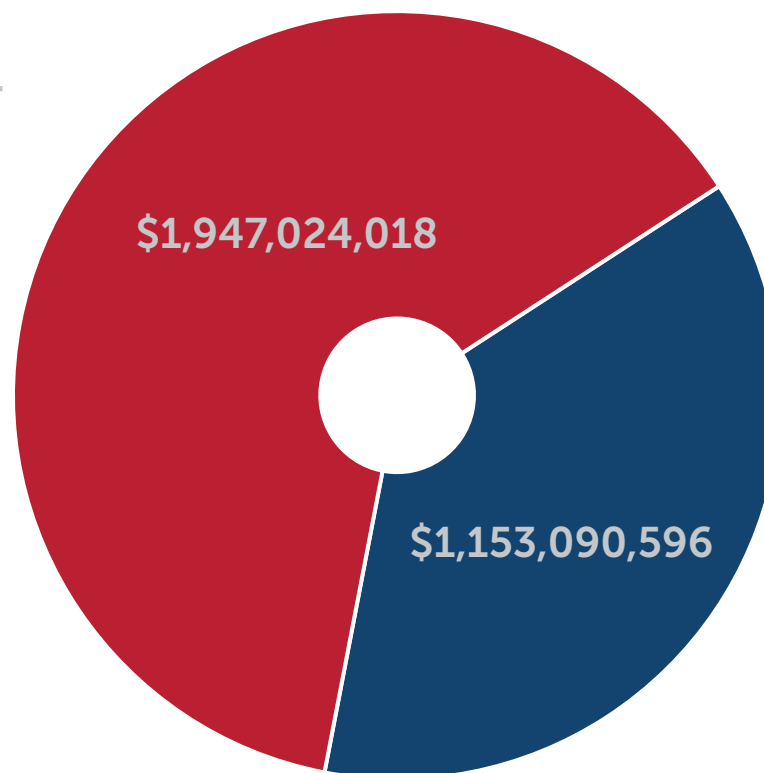
YTD actual/budget variance | bps (Act/365)

June 2023 YTD	Actual	Budget	Variance
Net Interest Income	188.6 bps	128.6 bps	+ 60.0 bps
+ Non-Interest Income	80.6 bps	62.6 bps	+ 18.0 bps
- Operating Expenses	120.8 bps	89.1 bps	(31.7 bps)
= Net Operating Income	148.4 bps	102.1 bps	+ 46.3 bps
+ CUSO Gains/Losses	0.7 bps	0.2 bps	+ 0.5 bps
- PCC Dividends	32.1 bps	25.7 bps	(6.4 bps)
- Potential Rebate	8.0 bps	0.0 bps	(8.0 bps)
+ USC Estate (Net Gain)	120.7 bps	30.6 bps	+ 90.1 bps)
= Net Income	229.7 bps	107.2 bps	+ 122.5 bps
Average Assets	\$881.5 M	\$1,125.1 M	(\$243.6 M)

total assets | on- and off-balance sheet

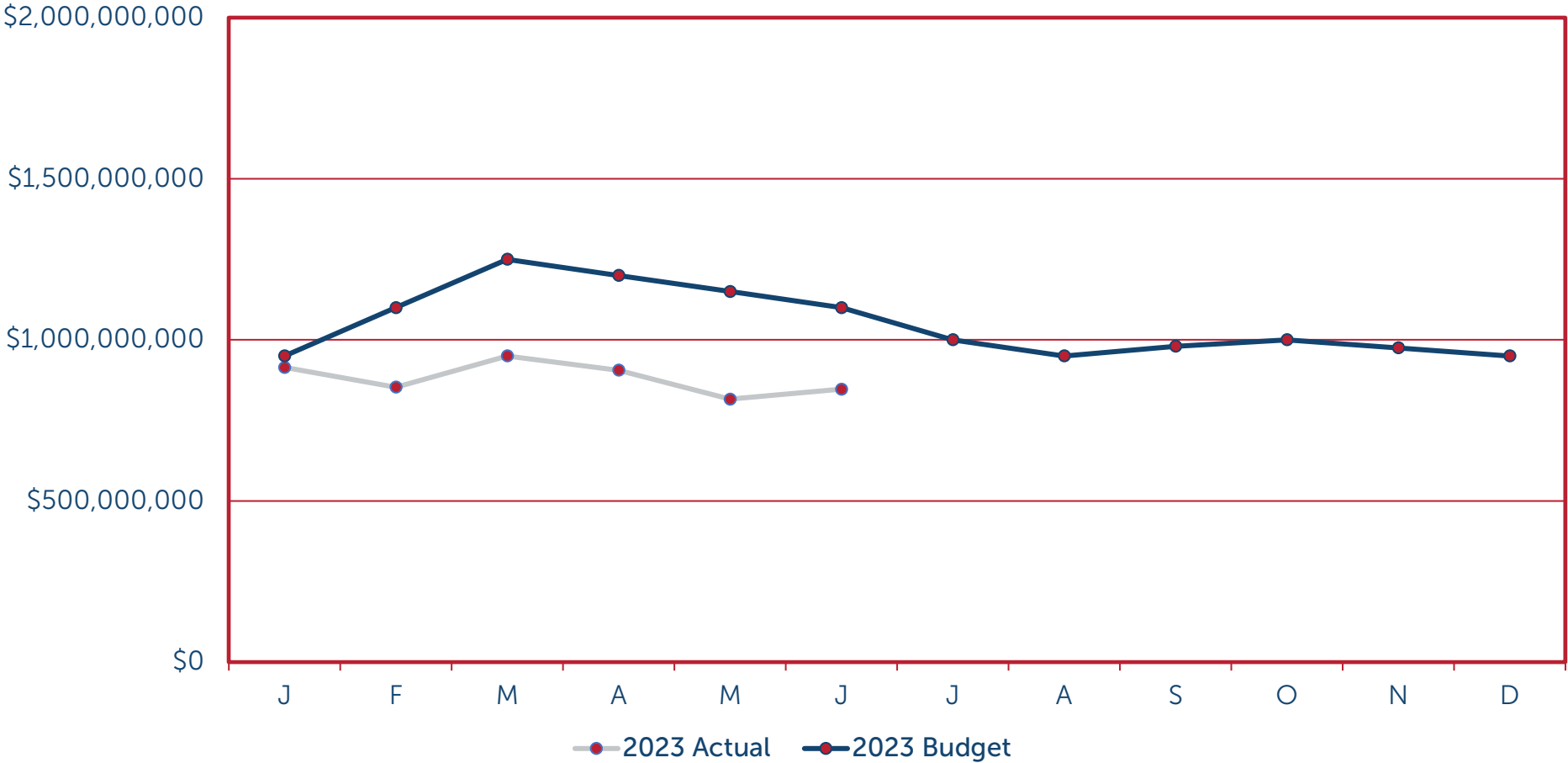
June 2023

Total Managed Assets - \$3,100,114,614



■ On-Balance Sheet ■ Off-Balance Sheet

daily average net assets | monthly



key factors driving results

Balances

- Actual balances were lower than expected in the budget by \$243.6 million or 21.7%.
- Net Interest Income is higher than the budget by \$1,070,381 or 14.9% due to the positive impact on our floating-rate investments.

Fees/Operating Expenses

- Non-interest income is higher than the budget at \$26,195 or 0.7% due to the higher usage of our CECLution/AIM, financial services and item processing – off setting the lower commission income.
- Overall Operating Expenses are \$308,874 or 6.2% higher primarily due an acceleration of budgeted salary to be paid in Spring of 2024; accruals for 2024 annual meeting and the remaining accruals of the 2023 board planning session.
- Coverage Ratio is 66.7% lower than the budgeted 69.7% but that will continue to improve throughout the rest of the year.

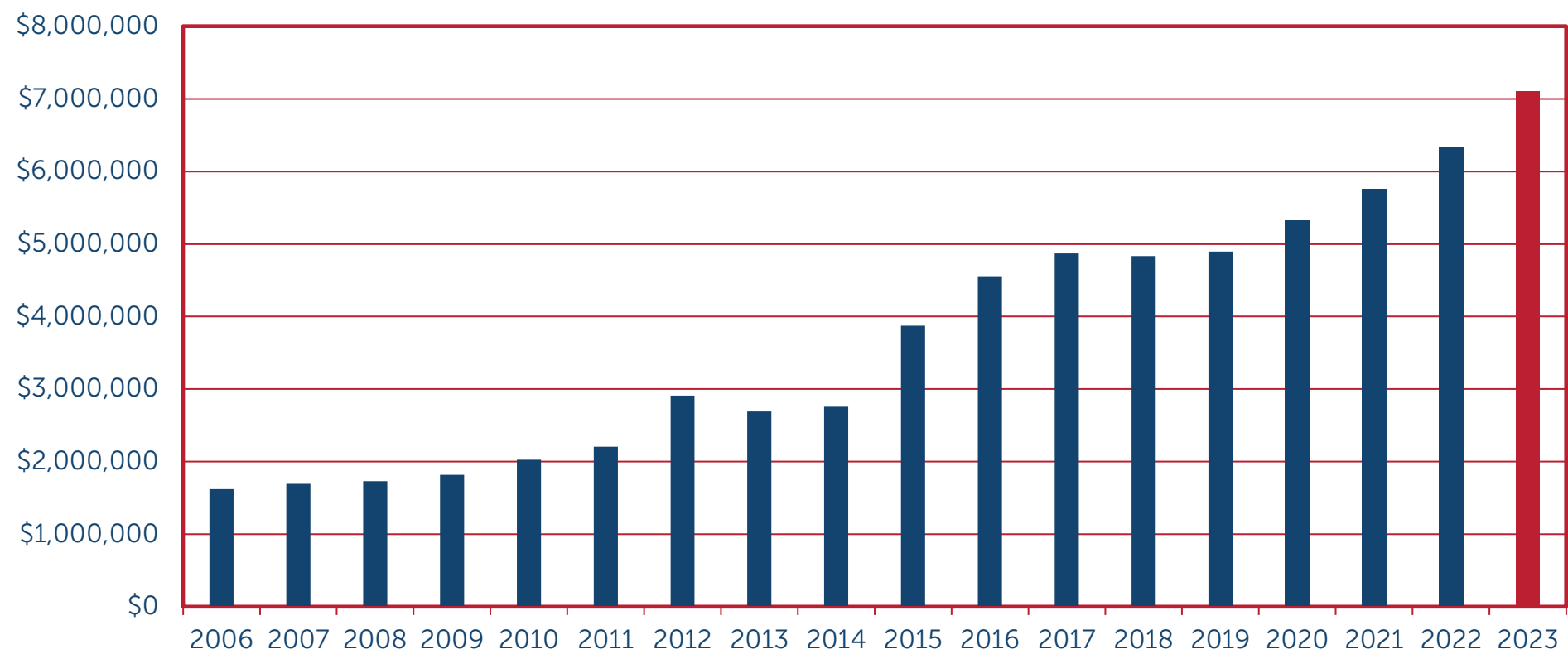
Other Gains/Losses

- Biggest factor driving results is another partial payment to USC Estate, a month earlier than budgeted and higher than expected – a positive net impact of \$5.3 million.
- Management has accrued \$350,000 for potential future fee rebates to item processing users.

PCC Dividends

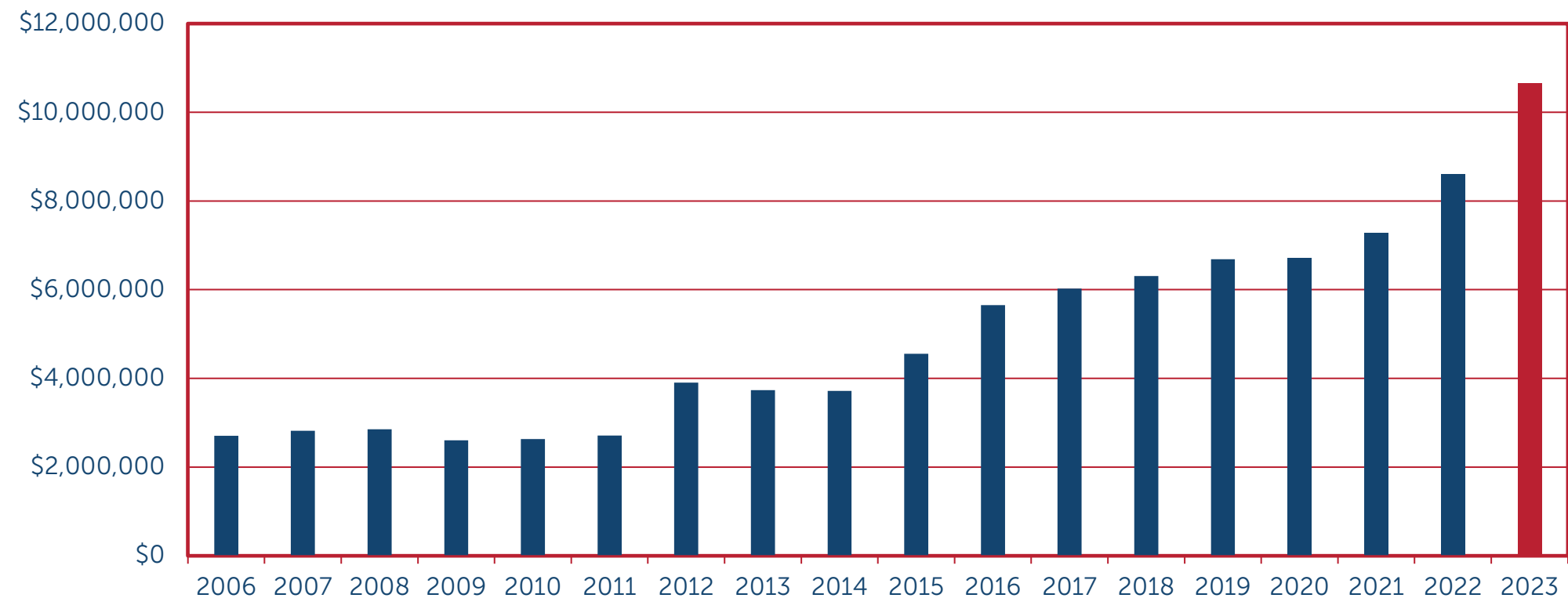
- PCC dividends are in-line with expectations.

annualized non-interest income trends



The 2023 budget projected an increase in Non-Interest Income due to full year of the related income and expense. Non-interest Income after the first half of the year is \$26,195 or 0.7% higher than budget and we are still on-pace to exceed \$7 million in non-interest income which would be a record high for Millennium.

annualized operating expense trends



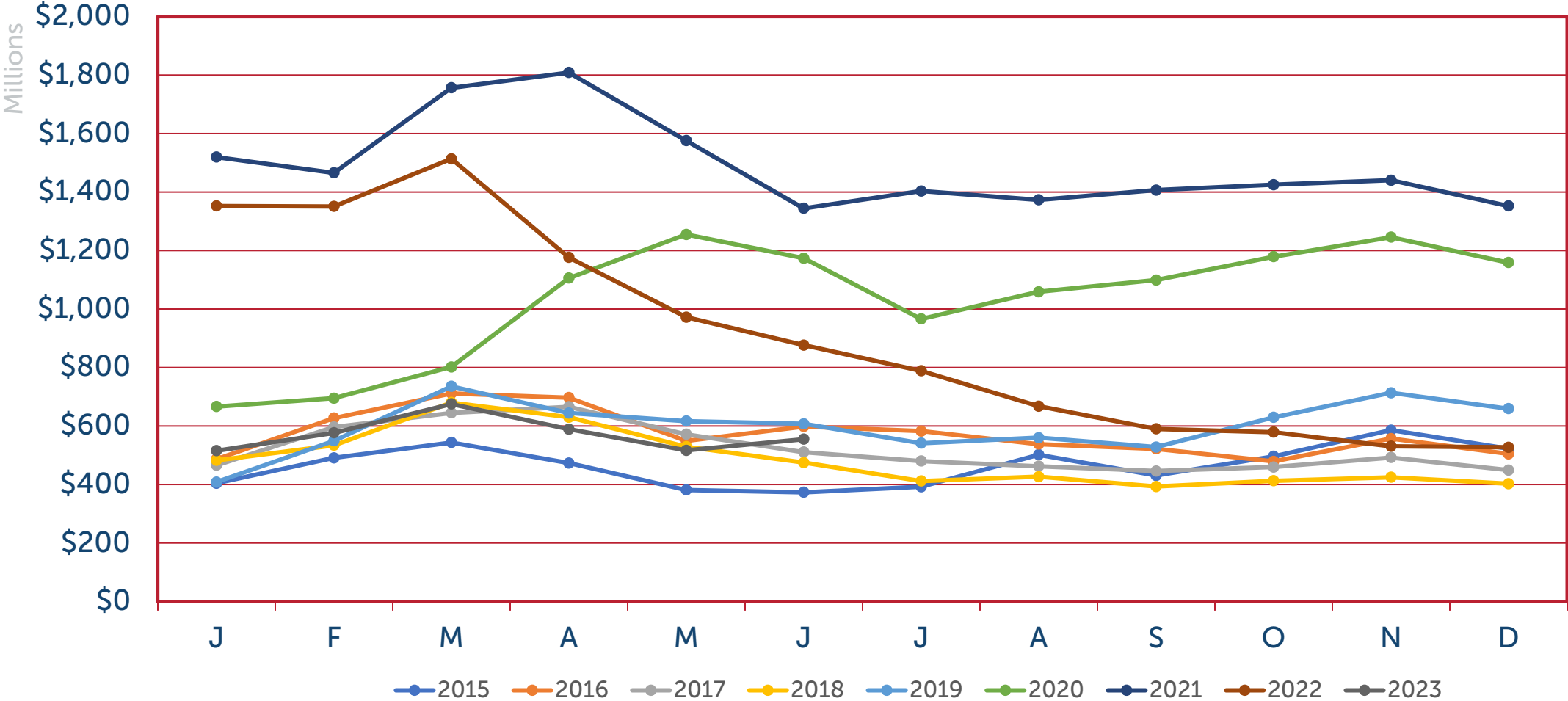
Annualized operating expenses are higher in 2023, primarily due to a full year of expenses associated with item processing service and the accruals for salaries to be paid in the spring of 2024; accruals for the 2024 annual meeting and the remaining accruals for the 2023 planning session. Millennium’s coverage ratio of 66.7% is lower than the budgeted 69.7% but that will continue to improve throughout the rest of the year, and we anticipate the coverage ratio will be in-line with the budget by the end of the year.

liquidity commentary

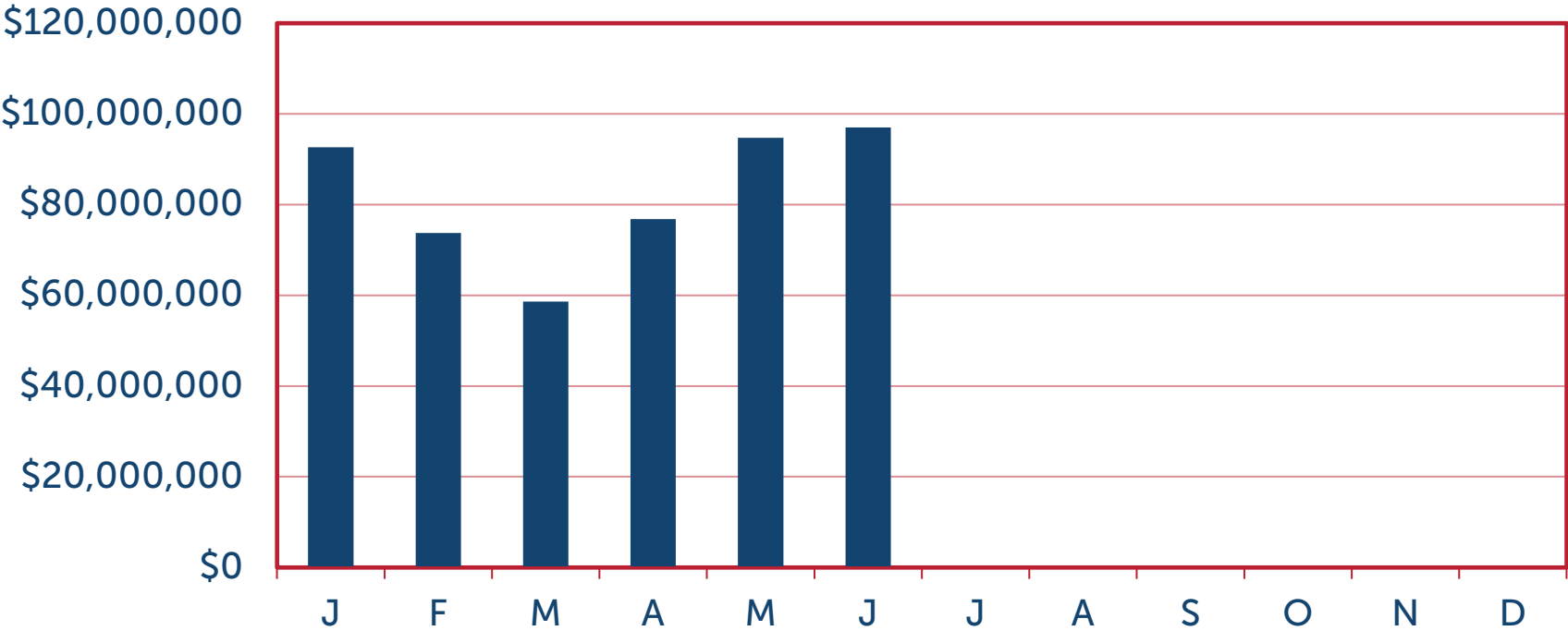
Millennium Corporate accessed the FHLB LOC for a few days in the last half of June as well during the quarter-end weekend for strategic purposes (June 30-July 2). Millennium currently has a collateralized LOC of \$440 million with the FHLB and a collateralized LOC of \$46.0 million with the Federal Reserve Bank of Kansas City.

- Millennium's liquidity options remain sufficient to meet member needs.
- June 2023 month-end figures show SimpliCD issuance, which provides members access to additional liquidity, is at a total of \$186.9 million with 20 member users.
- 2023 Average member loan balances are provided below-
 - January - \$92.6 million
 - February - \$73.8 million
 - March - \$58.6 million
 - April - \$76.8 million
 - May - \$94.7 million
 - June - \$97.0 million
 - July (to date) - \$85.2 million

historical member overnight deposits



2023 average monthly member borrowings



IRR | net economic value (NEV)

NEV Testing Results May 2023						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$118,893,402	+ \$3,808,504	+ 3.31%	14.80%	Minimum Ratio – 2%	PASS
					Max % Change – (15%)	PASS
Base Case	\$115,084,898	-	-	14.51%	Minimum Ratio – 2%	PASS
+300 bps Increase in Interest Rates	\$110,721,371	(\$4,363,527)	(3.79%)	14.13%	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 2023, is \$17,115,199.
- Retained Earnings ratio is 7.40% as of June 2023 versus 3.37%, one year ago
- Millennium is categorized as **“Well Capitalized”**.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium’s June 2023 capital ratios, and the minimum regulatory requirement of each (where applicable).

Ratio	June 2023	Minimum Requirement
Retained Earnings	7.40%	0.45%
Tier 1 Capital	12.86%	4.00%
Tier 1 Risk-Based Capital	87.18%	4.00%
Total Risk-Based Capital	87.18%	8.00%
GAAP Capital	13.17%	

board meeting recap

Board of Director's Meeting | July 21, 2023

- Approved the Consent Agenda which included: prior meeting minutes; ALCO report; CC report; SC report; ERM report; and the quarterly board ACH report
- Approved June 2023 Financial Statements
- Approved May 2023 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management-
 - Continued discussion regarding liquidity trends amongst Millennium membership
 - Reviewed and discussed comments submitted by the Corporate Alliance, CUNA & NAFCU regarding NCUA's Regulatory Review and specifically regarding needed changes to the Central Liquidity Facility.
 - Discussed possible new NCUA Board appointment which would be for Rodney Hood whose term ends August 3rd and potential changes being considered by the FHFA review of the FHLB system.
 - Update on FedNow Pilot activities & the Federal Reserve announced Millennium is one of the 57 early adopter organizations that has completed formal testing and certification on the FedNow Service.
 - Update on Millennium's "System Modernization Project" - more than 16 members utilizing the new system and that all users received a 25% discount in their item processing fees.
 - The Innovation Committee had its first meeting on July 12th with 19 members & next meeting is October 4th.
 - Board reviewed the quarterly budget to actual comparison.

board meeting recap

New Business

- Board completed training for Anti-Money Laundering/Bank Secrecy Act conducted by Lori Domian, Millennium Compliance Officer.
- The Board approved Millennium's Liquidity Plan. By regulation, the plan must evaluate the potential liquidity needs of its membership in a variety of economic scenarios; regularly monitor and demonstrate accessibility to sources of internal and external liquidity; keep a sufficient amount of cash to support its payment systems obligations; demonstrate that the accounting classification of investment securities is consistent to meet potential liquidity demands; and develop a contingency funding plan that addresses alternative funding strategies in successively deteriorating liquidity scenarios.
- Over the years, members have asked Millennium for strategic planning support. In the 2023 Membership Survey we learned that 90% of the CU's surveyed were interested in learning about strategic planning support. As a result, Millennium management recommended, and the Board supported a co-marketing partnership with Burditt Consulting, where together we can serve the planning needs of members. This partnership enables Millennium to leverage outside expertise while staying involved in the process to learn about the strategic direction of our membership.

board meeting recap

New Business

- Millennium's Asset & Investment Management (AIM) department gave a presentation regarding the new software utilized by AIM and the new and improved features in the quarterly ALM reports based on member and regulators input. The new Liquidity Module was reviewed and detailed the liquidity stress testing scenarios and assumptions utilized. All liquidity scenarios project a 12-month forecast, utilizing cash flows from the ALM model. Walter Thompson, Managing Director of AIM Services, and Rachel Dulaney, Director of ALM Operations – AIM, made the presentation. Sixty-two members currently are users of the quarterly ALM reports.

events calendar

August 2023

- **1-Tuesday** | Weekly FedNow – Juniper Payments & Millennium Meeting
- **8-Tuesday** | Weekly FedNow – Juniper Payments & Millennium Meeting
- **9-Tuesday** | Federal Reserve Bank/Millennium Monthly Touchpoint Meeting
- **15-Tuesday** | Dakota CU Professionals Forum – Fargo, ND
- **16-Wednesday** | Dakota CU Foundation Golf Scramble – Fargo, ND
- **16-Wednesday** | Credit Committee Meeting
- **22-Tuesday** | Small CU Roundtable Meeting – Kansas City, MO
- **22-Tuesday** | CU Growth Navigator Webinar – New Strategic Planning Partnership
- **24-Thursday** | Small CU Roundtable Meeting – Topeka, KS
- **24-Thursday** | Millennium ALCO & Board Meeting – St. Louis, MO
- **28-Monday** | Supervisory Committee Meeting
- **30-Wednesday** | Back Your PAC at the Ballpark – Wichita, KS