

membership report

October 2023



Millennium
CORPORATE CREDIT UNION

content

- **Financial Commentary**
 - 2023 Budget/Actual Net Income
 - Actual/Budget Variance
 - Total Managed Assets – On- and Off-Balance Sheet
- **Q3 Financial Review**
 - Daily Average Net Assets – Monthly
 - Key Factors Driving Results
 - Non-Interest Income Trends
 - Operating Expense Trends
- **Liquidity Summary**
 - Historical Member Overnight Deposits
 - 2023 Average Monthly Member Borrowings
- **Interest Rate Risk/Net Economic Value Report – August 2023**
- **Capital Commentary**
- **Board Meeting Recap**
- **Supervisory Committee Recap**
- **Credit Committee Recap**
- **Events Calendar – November 2023**

financial commentary

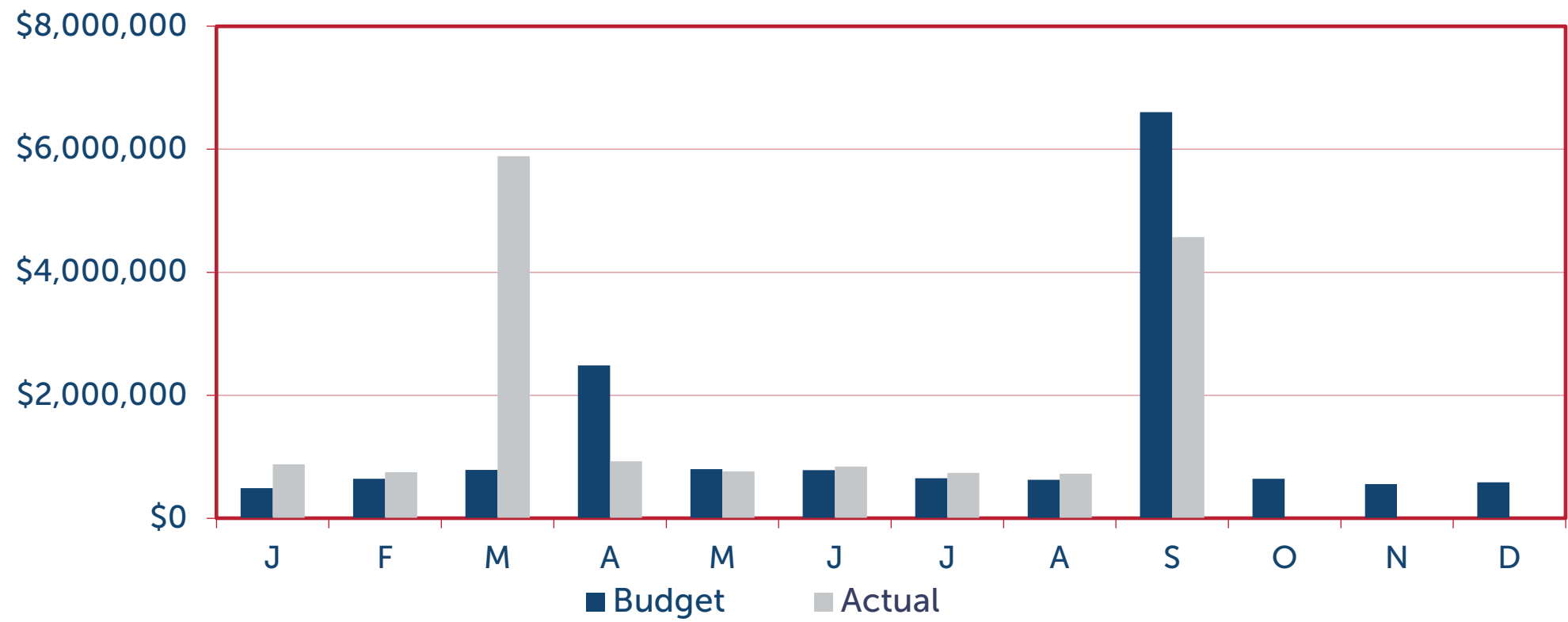
Net income for September was \$4,569,901, below budget by \$2,034,652 or 30.8% for the month. The most significant variance to the budget was the receipt of the sixth distribution from the USC Estate which was lower than budgeted. Net interest income was \$178,717 or 15.8% above budget due to the positive impact on our floating-rate investments. Non-interest income was above budget by \$25,195 or 4.3% due to higher AIM and financial services income. Operating expenses were higher than budget by \$208,497 or 22.5% due to accruals for certain expenses (salaries, annual meeting, planning meeting). CUSO income was lower than budget by \$295,047 due to a recognized loss for our brokerage CUSO. PCC dividends were higher than budget as Millennium paid a 6.25% rate on the account. The year-to-date coverage ratio (fee income/operating expenses) is 65.2%, still lower than our 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 through September. The ROA through September (on 273 days/365 basis) is 242.8 bps on average assets of \$885.1 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 \$909.8 million at the end of September, a decrease of \$5.8 million or 0.6% from the previous month.

Millennium is defined as "**Well Capitalized**" and we ended the month with Retained Earnings of \$75,680,057, representing a Retained Earnings ratio of 8.32% and a Tier 1 ratio of 14.00%.

2023 budget/actual net income



YTD actual/budget variance | dollars

September 2023 YTD	Actual	Budget	Variance
Net Interest Income	\$12,087,681	\$10,622,535	+ \$1,465,146
+ Non-Interest Income	\$5,288,279	\$5,221,296	+ \$66,983
- Operating Expenses	\$8,113,475	\$7,558,026	(\$555,449)
= Net Operating Income	\$9,262,485	\$8,285,805	+ \$976,680
-/+ CUSO Gains/Losses	\$257,529	\$16,908	(274,437)
- PCC Dividends	\$2,222,759	\$2,221,754	(\$1,005)
- Potential Rebate	\$350,000	\$0	(\$350,000)
+ USC Estate (Net Gain)	\$9,642,128	\$7,781,310	+ \$1,860,818
= Net Income	\$16,074,325	\$13,862,269	+ \$2,212,056

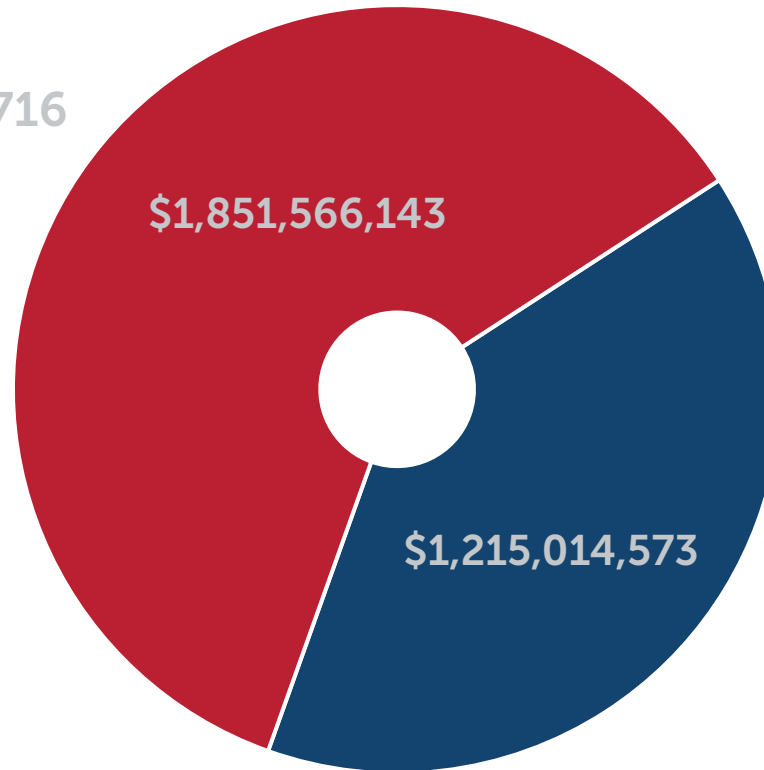
YTD actual/budget variance | bps (Act/365)

September 2023 YTD	Actual	Budget	Variance
Net Interest Income	182.6 bps	132.1 bps	+ 50.5 bps
+ Non-Interest Income	79.9 bps	64.9 bps	+ 15.0 bps
- Operating Expenses	122.6 bps	94.0 bps	(28.6 bps)
= Net Operating Income	139.9 bps	103.0 bps	+ 36.9 bps
-/+ CUSO Gains/Losses	3.9 bps	0.2 bps	(4.1 bps)
- PCC Dividends	33.6 bps	27.6 bps	(6.0 bps)
- Potential Rebate	5.3 bps	0.0 bps	(5.3 bps)
+ USC Estate (Net Gain)	145.6 bps	96.8 bps	+ 48.8 bps
= Net Income	242.8 bps	172.4 bps	+ 70.4 bps
Average Assets	\$885.1 M	\$1,075.1 M	(\$190.0 M)

total assets | on- and off-balance sheet

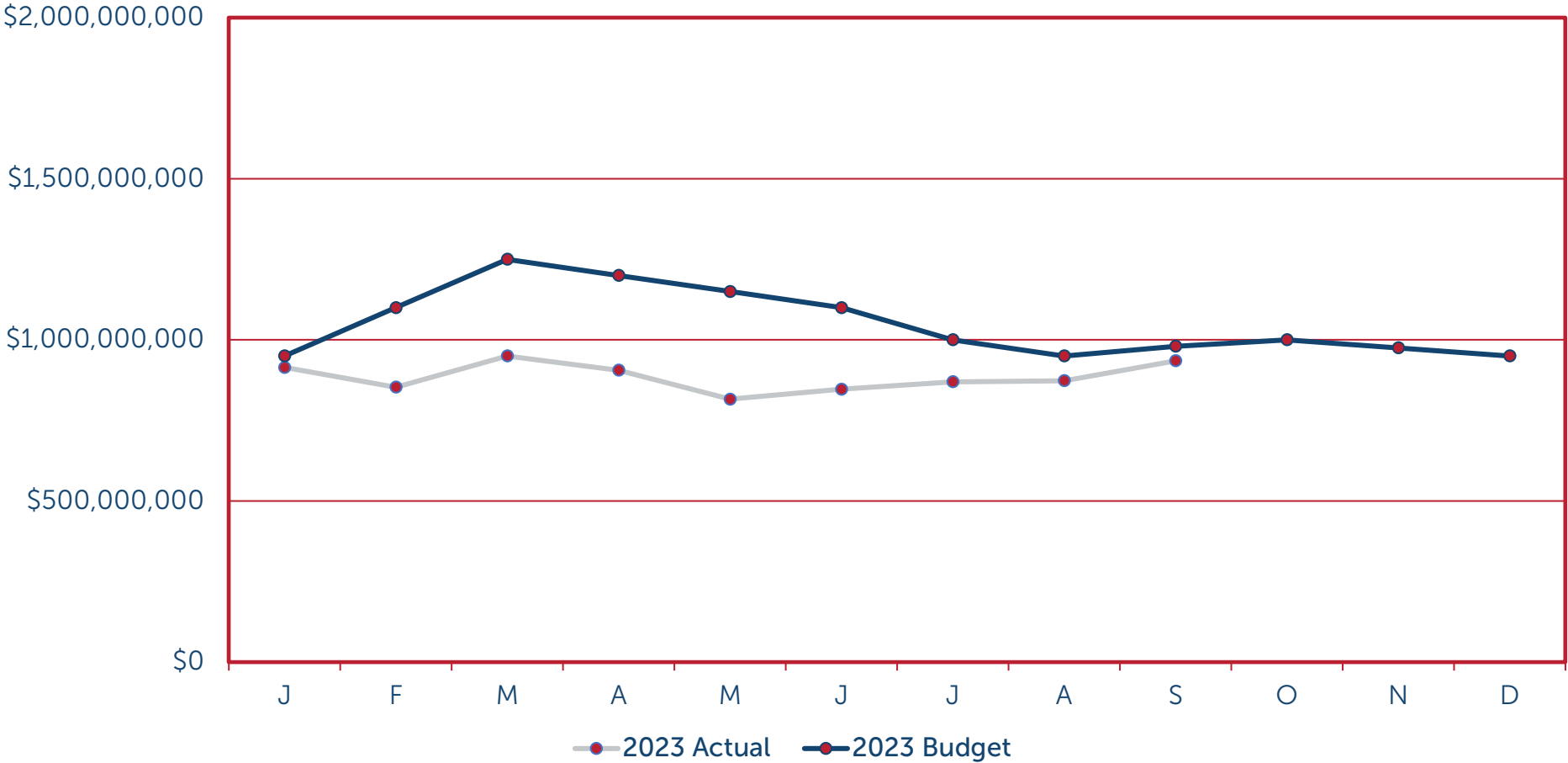
September 2023

Total Managed Assets - \$3,066,580,716



■ 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 \$190.0 million or 17.7%.
- Net Interest Income is higher than the budget by \$1,495,146 or 13.8% due to the positive impact on our floating-rate investments.

Fees/Operating Expenses

- Non-interest income is higher than the budget at \$66,983 or 1.3% due to the higher usage of our CECLutions/AIM and financial services – off setting the lower commission, item processing and other non-interest income.
- Overall Operating Expenses are \$555,449 or 7.3% higher primarily due to an acceleration of budgeted salary to be paid in Spring of 2024; accruals for 2024 annual meeting; increased travel for outreach and promotion events.
- Coverage Ratio is 65.2% lower than the budgeted 69.7%-but that will improve in the last quarter of the year.

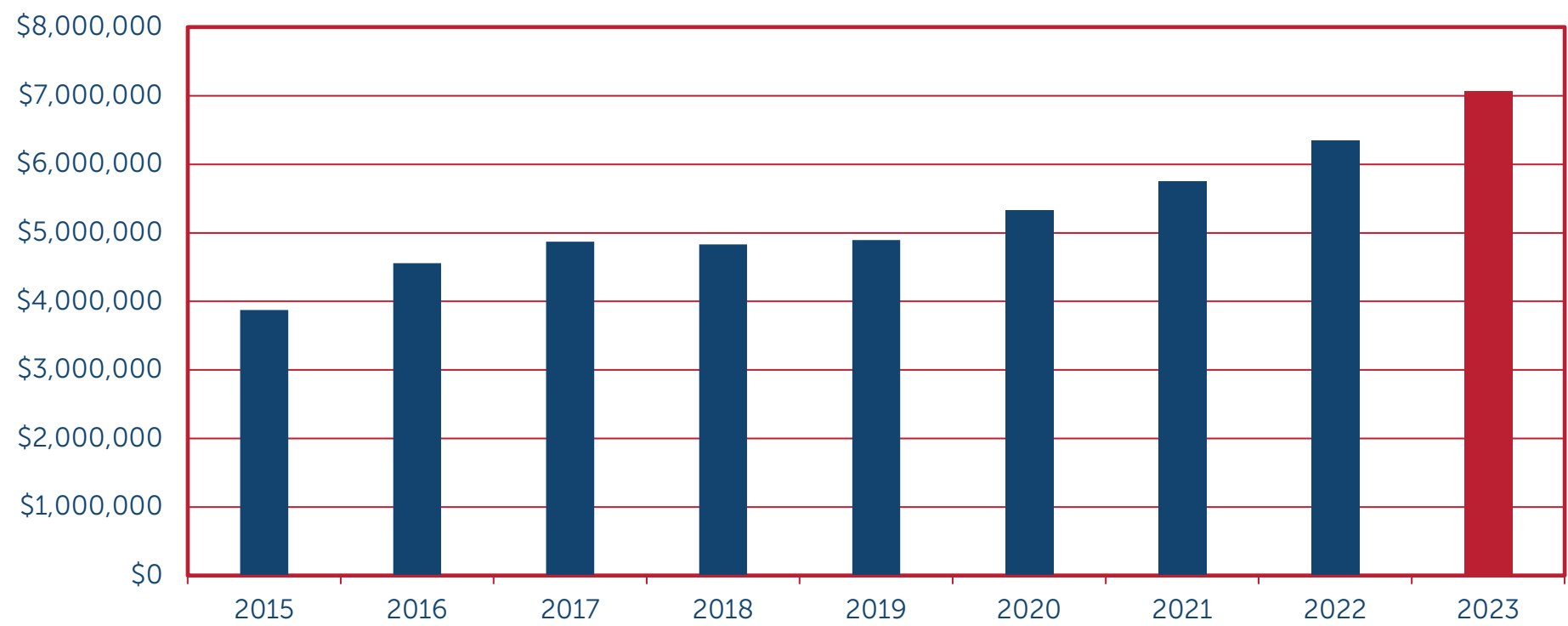
Other Gains/Losses

- Biggest positive factor driving results is partial payments to USC Estate – a positive net impact of \$9.6 million.
- Negative factors include an ISI operating loss of approximately \$300,000 and accruals of \$350,000 for fee rebates to item processing users.

PCC Dividends

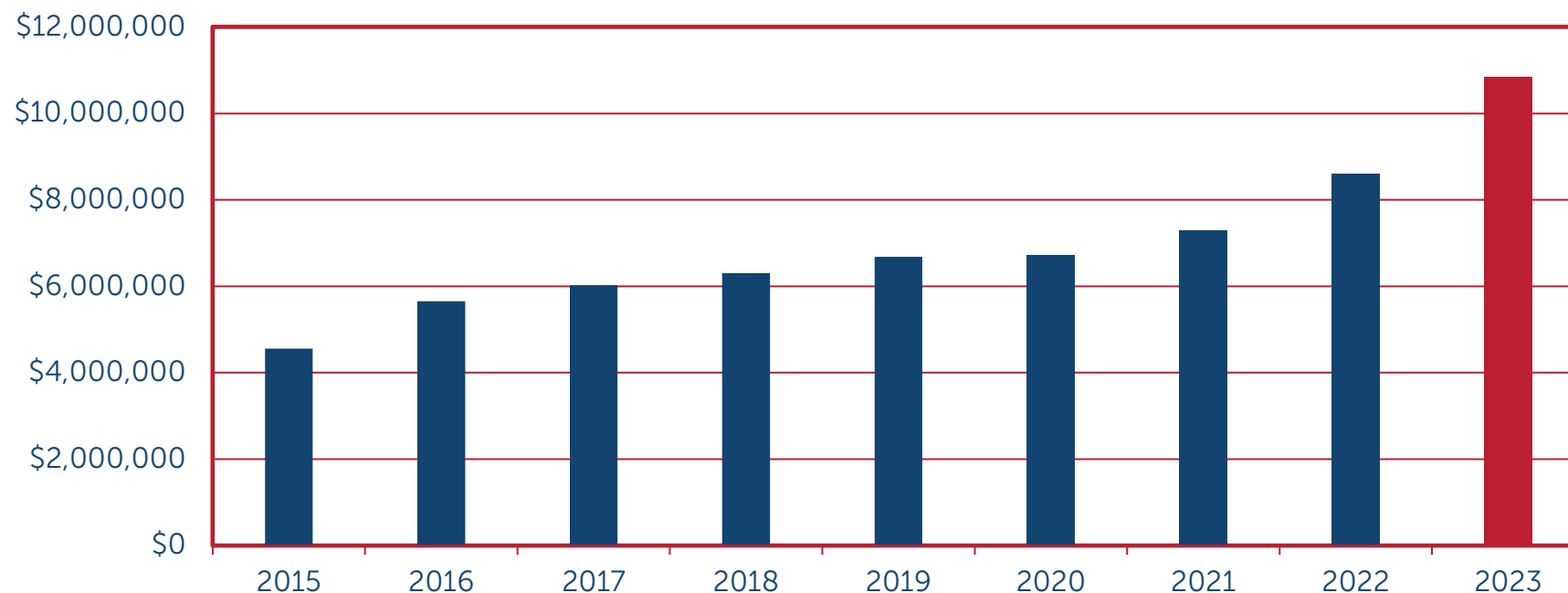
- PCC dividends are in-line with expectations.

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 after the first nine months of the year is \$66,983 of 1.3% 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



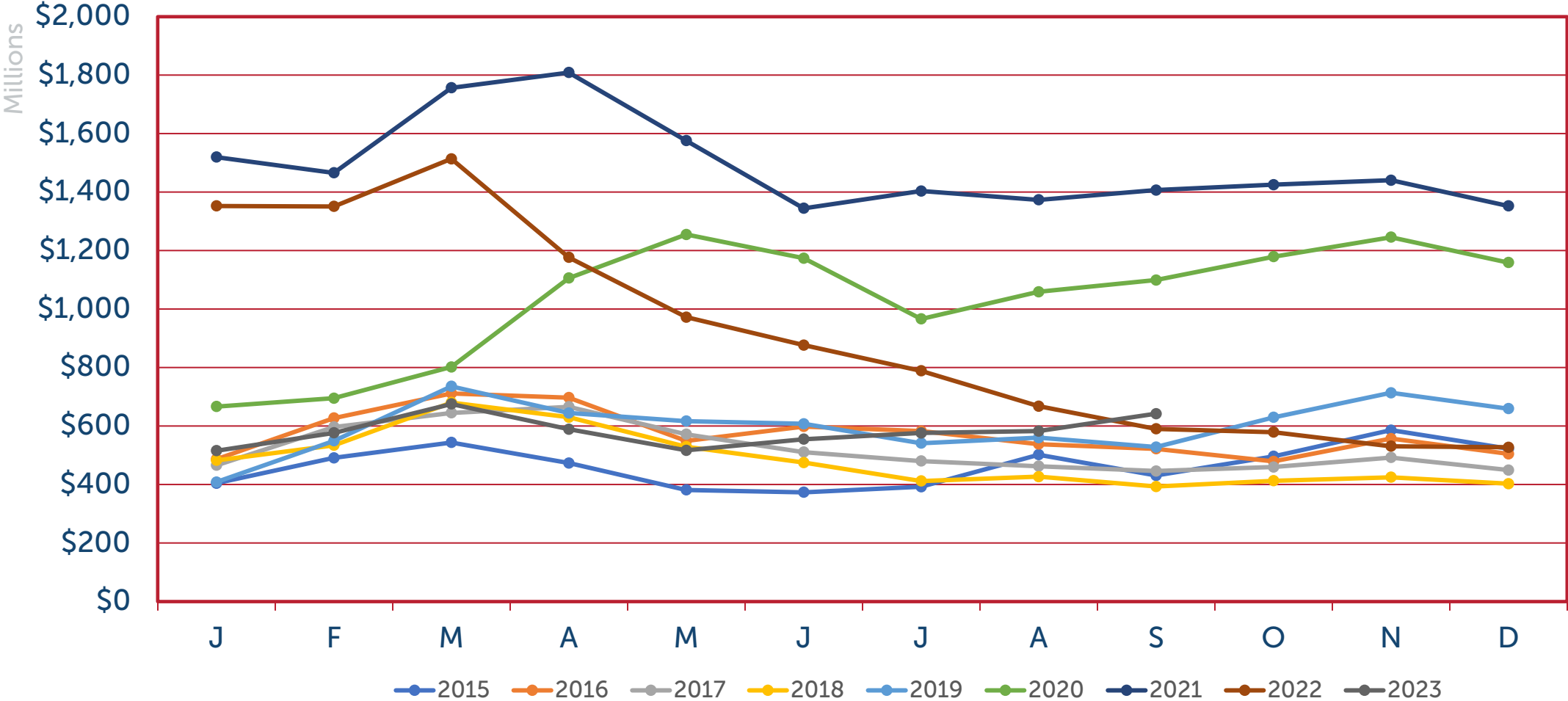
Annualized operating expenses are higher in 2023, primarily due to a full year of expenses associated with the item processing service, new hires, accruals for salaries to be paid in 2024, for the 2024 annual meeting and 2024 planning session. Millennium's coverage ratio of 65.2% is lower than the budgeted 69.7% but will improve during the last quarter of the year.

liquidity commentary

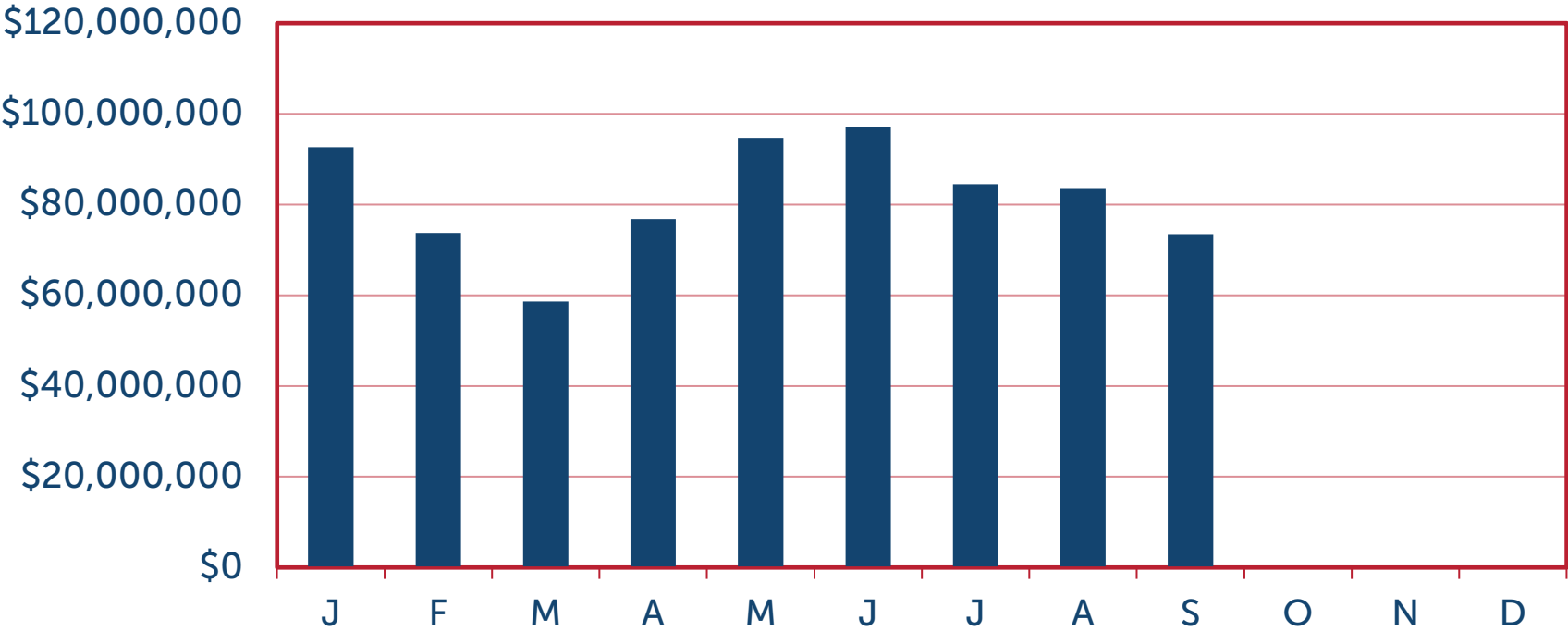
Millennium Corporate did access the FHLB LOC for a few mid-weekdays in September as well as during the quarter-end weekend for strategic purposes (September 29-October 1). Millennium Corporate currently has a collateralized LOC of \$422.0 million with the FHLB and a collateralized LOC of \$49.0 million with the Federal Reserve Bank of Kansas City.

- Millennium's liquidity options remain sufficient to meet member needs.
- September 2023 month-end figures show SimpliCD issuance, which provides members access to additional liquidity, is at a total of \$183.7 million with 20 member users.
- Average member loan balances are provided below:
 - April 2023 - \$76.8 million
 - May 2023 - \$94.7 million
 - June 2023 - \$97.0 million
 - July 2023 - \$84.5 million
 - August 2023 - \$83.5 million
 - September 2023 - \$73.5 million
 - October (to date) - \$64.8 million

historical member overnight deposits



2023 average monthly member borrowings



IRR | net economic value (NEV)

NEV Testing Results August 2023						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	\$117,789,533	+ \$3,013,446	+ 2.63%	14.10%	Minimum Ratio – 2%	PASS
					Max % Change – (15%)	PASS
Base Case	\$114,776,087	-	-	13.88%	Minimum Ratio – 2%	PASS
+300 bps Increase in Interest Rates	\$108,948,505	(\$5,827,582)	(5.08%)	13.35%	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 September 2023, is \$14,879,006
- Retained Earnings ratio is 8.32% as of September 2023 versus 4.290%, one year ago.
- Millennium is categorized as **“Well Capitalized”**.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium’s September 2023 capital ratios, and the minimum regulatory requirement of each (where applicable).

Ratio	September 2023	Minimum Requirement
Retained Earnings	8.32%	0.45%
Tier 1 Capital	14.00%	4.00%
Tier 1 Risk-Based Capital	96.43%	4.00%
Total Risk-Based Capital	96.43%	8.00%
GAAP Capital	14.29%	

board meeting recap

Board of Director's Meeting | October 26, 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 September 2023 Financial Statements
- Approved August 2023 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management-
 - Continued discussion regarding liquidity trends amongst Millennium membership
 - Discussed the most recent correspondence from the Liquidating Agent of the USC Estate
 - Discussed the results of the October NCUA Board meeting which included a briefing of cybersecurity issues
 - Update on Millennium's "System Modernization Project". Phase One is completed and we are ready to start on Phase Two. This phase will have five groups with the first group starting the week of November 6-9th and we anticipate completing this phase by the end of January 2024.
 - Update on FedNow activities over the past month
 - Management reported the Kansas City FRB had completed a review of the EBA account and concluded that Millennium is following our responsibilities & the 2023 ACH Rules & BSA Compliance audits were completed.
 - Update on our sponsorship activities over the past month and future activities with our League partners.
 - Management reported that we now have six users of Millennium's new Liquidity Stress Test service.
 - Board reviewed the quarterly budget to actual comparison.
 - Management reported that Millennium's overnight and PCC rates are the highest of all corporates.

supervisory committee recap

Supervisory Committee Meeting | October 30, 2023

- Committee reviewed both the 2023 Bank Secrecy Act and the 2023 ACH Compliance Audits completed by J. Tenbrink & Associates. Millennium is in compliance with each risk exposure point identified, and no corrective action was recommended.
- Committee reviewed the Liquidity Internal Audit and there were no recommendations made from the audit.
- Committee reviewed the Wire Callback Risk Assessment, and it was found that the current threshold is set responsibly; is manageable and no changes are necessary.
- It was reported the Kansas City FRB had completed a review of the EBA account and they concluded that Millennium, acting as an agent, is exercising reasonable care managing the EBA.
- Committee reviewed three IT audits (external penetration, smishing, vishing) completed by TraceSecurity.
- Committee reviewed the successful results of the Centurion Remote Data Entry Contingency Test.
- Committee reviewed the Millennium Security Program Board Report and accepted the updated responses to the findings.
- 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 – December 11, 2023

credit committee recap

Credit Committee Meeting | October 18, 2023

- Committee reviewed and approved 51 lines-of-credit.
- Committee reviewed the Monitor Report.
- Committee canceled two lines-of-credit due to mergers.
- Current Advised LOC status – 241 Lines/\$1,352,639,097.
- Committee reviewed the August 2023 cash flow graphs and LOC coverage projections report.
- Next meeting – December 12, 2023

events calendar

November 2023

- 7-Tuesday | Meeting with Topeka FHLB
- 7-Tuesday | Weekly FedNow – Juniper Payments & Millennium Meeting
- 8-Wednesday | Federal Reserve Bank/Millennium Monthly Touchpoint Meeting
- 14-Tuesday | Weekly FedNow – Juniper Payments & Millennium Meeting
- 16-Thursday | Millennium ALCO & Board Meeting
- 21-Tuesday | Weekly FedNow – Juniper Payments & Millennium Meeting
- 23-Thursday | Millennium Closed – Observation of Thanksgiving Day
- 27-Monday | Enterprise Risk Management Committee Meeting
- 28-Tuesday | Weekly FedNow – Juniper Payments & Millennium Meeting