

OCTOBER 2026

Credit Union Investment Portfolio Management

Putting Liquidity to Work: Smarter Investment Decisions in Today's Rate Environment

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Key Considerations for Credit Unions

Making Smarter Investment Decisions

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What makes Credit Unions different and unique?

- Member Owned
- No access to public markets
- Highly regulated by state examiners and the NCUA

What challenges do Credit Unions face in investment portfolio management?

- One or two people alone in an office
- No Bloomberg terminal or limited bond market access and information
- Busy with multiple things

The Agenda

What we will work through

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Portfolio Decisions

How much liquidity must remain available, and which balances can be invested for longer?

Security Decisions

How do yield, optionality, credit, and price change the value of a bond?

Two quick polls and a board reporting checklist

Risk Context

Why this matters in 2026

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NCUA continues to focus on interest rate risk and liquidity

Examiners are looking at stress scenarios, assumptions, funding, and how those results inform decisions.

How can the investment portfolio better support the whole balance sheet?

NCUA Regulations

Code of Federal Regulations Part 703-Investment and Deposit Activities

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703.3-Investment Policies

A Federal credit union's board of directors must establish written investment policies consistent with the Act, this part, and other applicable laws and regulations and must review the policy at least annually.

703.4-Recordkeeping and Documentation Requirements

Required documentation includes, where applicable, bids and prices at purchase and sale and for periodic updates, relevant disclosure documents or a description of the security from an industry-recognized information provider, financial data, and tests and reports required by the Federal credit union's investment policy and this part.

703.6-Credit Analysis

A Federal credit union must conduct and document a credit analysis on an investment and the issuing entity before purchasing it, except for investments issued or fully guaranteed as to principal and interest by the U.S. government or its agencies, enterprises, or corporations or fully insured (including accumulated interest) by the National Credit Union Administration or the Federal Deposit Insurance Corporation. A Federal credit union must update this analysis at least annually for as long as it holds the investment.

703.11-Valuing Securities

- Before purchasing or selling a security, a Federal credit union must obtain either price quotations on the security from at least three broker-dealers or a price quotation on the security from an industry-recognized information provider.
- At least monthly, a Federal credit union must determine the fair value of each security it holds.
- At least annually, the Federal credit union's supervisory committee or its external auditor must independently assess the reliability of monthly price quotations received from a broker-dealer or safekeeper.

703.12-Monitoring Securities

- At least monthly, a Federal credit union must prepare a written report setting forth, for each security held, the fair value and dollar change since the prior month-end, with summary information for the entire portfolio.
- At least quarterly, a Federal credit union must prepare a written report setting forth the sum of the fair values of all fixed and variable rate securities held that have one or more of the following features:
  1. Embedded options;
  2. Remaining maturities greater than 3 years; or
  3. Coupon formulas that are related to more than one index or are inversely related to, or multiples of, an index.

Managing Credit Union Risk

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1 Interest Rate

- Investment Policy implementation and measurement (703.3)
- Duration measures embedded options, floating rate securities (703.12)
- Interest rate shock analysis +100, +200, +300 (703.7)

2 Pricing & Transparency

- Bond market has no central exchange
- Working with a few brokers in a mark up commission environment
- Bloomberg terminals and transparency

3 Regulatory & Audit

- Credit limits and analysis 703.6
- Sector Concentration
- Recordkeeping and documentation including best bid and ask on trades (703.4)

Principles of Successful Investing

Use the same tools as large banks and credit unions

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Security

- Establish an independent third-party safekeeping and custody agreement with a qualified financial institution
- This ensures ownership and control of the assets remains with the credit union



Protection

- Develop and implement an investment policy that outlines the general investment goals and objectives of the credit union
- Design your portfolio
- Implement your plan



Transparency

- Transparent reporting suite to track, quantify, and verify portfolio positions.
- Clear and simple fee structure



Expertise

- Select an investment advisor with relevant experience and a trusted reputation

OR

- Select 2-3 brokers to see inventory and pricing
- Address changing interest rate environments



Custody of Your Funds

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Third Party Safekeeping

- Accounts custodied at a bank for safekeeping
  - Banks were selected due to size, reputation and consistent performance
  - Single custodians provide the most accurate data feed for our reporting software
- Assets held are segregated from bank assets and the ownership and control of the assets remains with the client
- Quarterly custodian statements are sent to the client to ensure accuracy with online reporting and to conform with Dodd-Frank Wall Street Reform and Consumer Protection Act



Your Investment Policy

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Promotes Diversification

- An Investment Policy Statement (IPS) is a document that provides the general investment goals and objectives of a credit union and describes the strategies that the manager should employ to meet these objectives
- Defines Allowable Investments: U.S. Government, Corporate Debt, Municipal Securities, CDs and Money Market Instruments, etc.
- Establishes Investment Parameters
  - Maximum maturity limits
  - Maximum concentration levels
  - Minimum average credit ratings
  - Any other restrictions



Specialized Reporting

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Accounting

- Daily Reports
- Monthly Statements
- Flexible Fiscal Calendar

Compliance

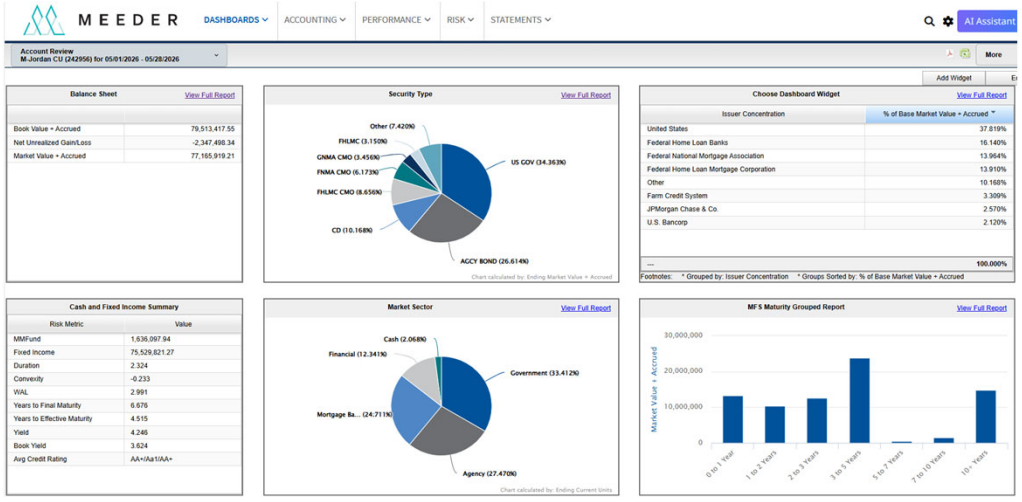
- Investment Policy Parameters
- SOC1 Type II Audit
- Independent 3rd Party Reconciliation

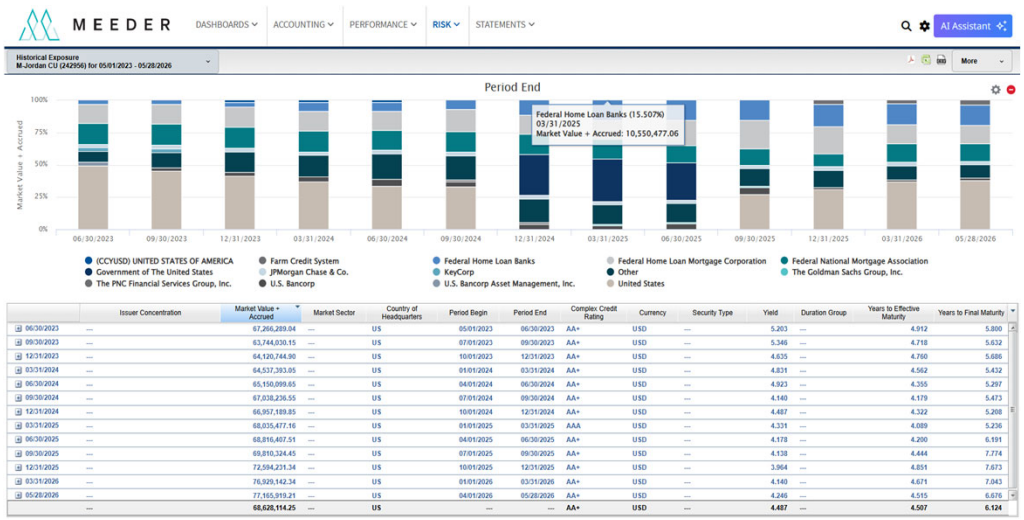
Performance

- Index Comparison
- GAAP Standards
- Income, Price, and Total Return

Risk

- Issuer Concentration
- Consolidated View of Investments
- Shock Analysis





Three jobs for the investment portfolio

A practical liquidity framework that matches each dollar to its purpose.

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OPERATING CASH

Fund today

Payments and ordinary volatility

CONTINGENCY RESERVE

Protect tomorrow

Stress outflows and unexpected needs

CORE INVESTMENTS

Invest the durable balance

Balances that can absorb time and price changes

PORTFOLIO DESIGN PRINCIPLE Liquidity first, then resilience, then return.



Three tiers. One coordinated portfolio.

VISUAL ON THIS SLIDE WAS GENERATED WITH MICROSOFT COPILOT.

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How much of your current cash balance can be invested for 12 months or longer?



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How much of your current cash balance can be invested for 12 months or longer?

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Liquidity Analysis

Core balances + Loan paydowns

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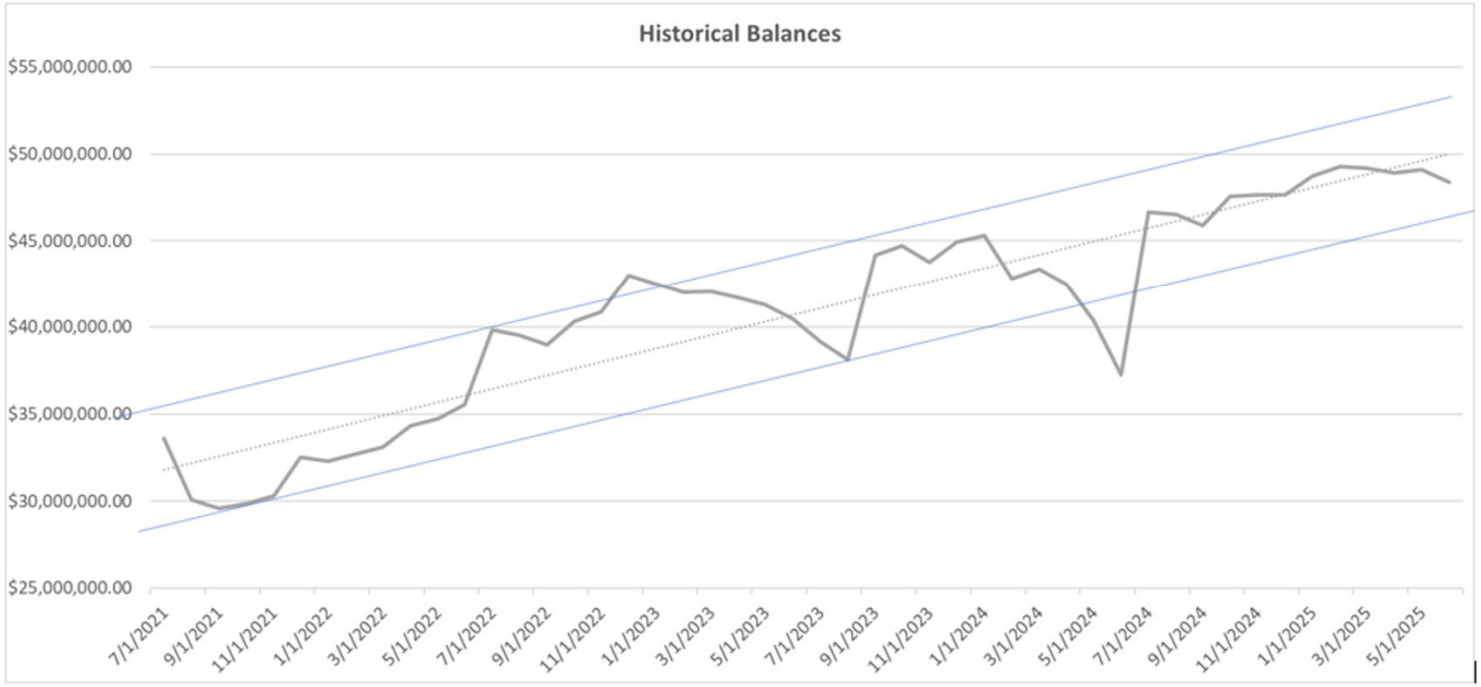
Sample Credit Union Liquidity Analysis



Investment Balances

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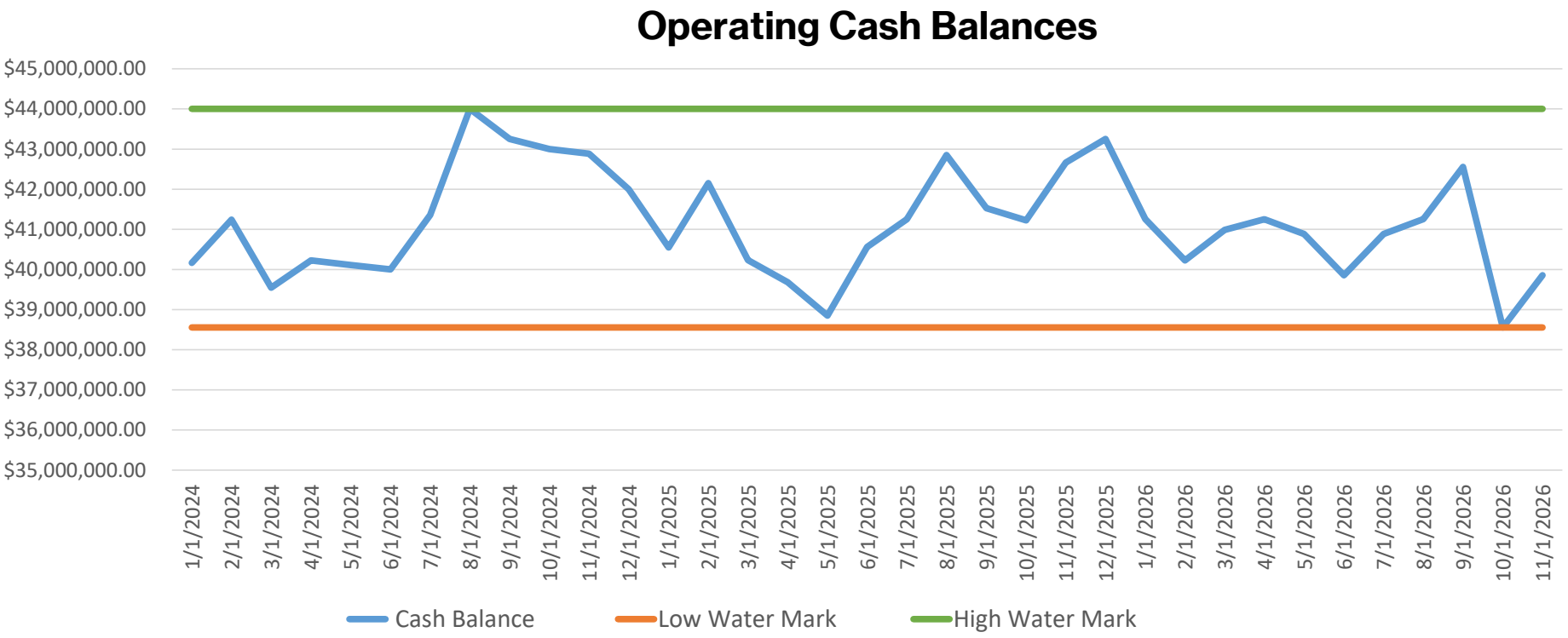

Layering a Portfolio

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ULTRA SHORT (0-3 months)	• Very short term • Instruments include money markets, T-bills, commercial paper, U.S. agency discount notes, and time deposits
SHORT (3-12 months)	• Structured to meet short term and unexpected liquidity needs • Instruments include money markets, T-bills, (state chartered) long commercial paper, U.S. agency bullets, and brokered CDs
INTERMEDIATE (12-36 months)	• Targets future expected cash outflows. • Includes floating rate notes, CDs, U.S. government and agency bonds, and brokered CDs
LONG (>36 months)	• Targets maturities for longer reserve funds and balances • Layer includes longer duration securities (Agency Mortgage Backed possible) with potentially higher returns • Core investments

Bond Market Trading

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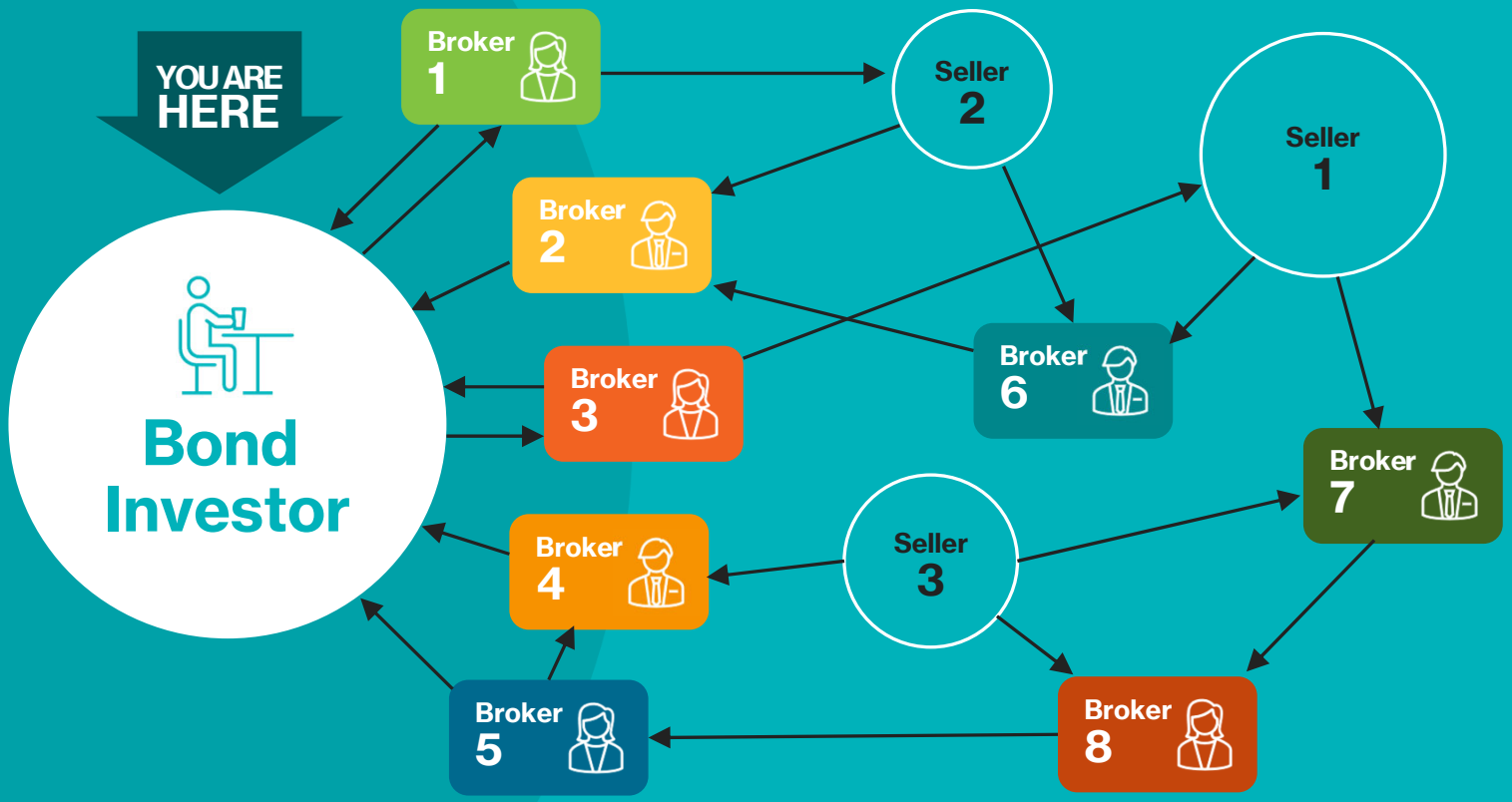

FOR ILLUSTRATIVE PURPOSES ONLY. THE BOND MARKET IS COMPLEX AND THIS GRAPHIC IS NOT INCLUSIVE OF ALL MARKET CONDITIONS

Navigating the Bond Market

Best Practices for Constructing Your Portfolio and Purchasing Investments

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- The Treasury Yield is ALWAYS the starting point
- Compare the investment with the Treasury of similar maturity
- Additional yield should compensate for the additional risks you are accepting.
  - Credit
  - Call or prepay
  - Liquidity
  - Complexity



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What percentage of your portfolio is allocated to U.S. Treasuries?



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Build the portfolio from the center out

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Start with the foundational asset class, then add complementary sources of liquidity and yield.



CORE-TO-EXTENSION PRIORITY

1	**U.S. Treasuries**	35% target
2	**U.S. Agencies**	25% target
3	**Negotiable CDs**	15% target
4A	**Direct CDs**	10% target
4B	**U.S. Agency MBS**	15% target

DESIGN INTENT Anchor in Treasuries and diversify outward deliberately.

* TARGET ALLOCATION PERCENTAGES ARE ILLUSTRATIVE ONLY AND MAY VARY BASED ON EACH CREDIT UNION'S OBJECTIVES, LIQUIDITY NEEDS, RISK TOLERANCE, AND INVESTMENT POLICY.

Market Liquidity

The fixed-income liquidity spectrum

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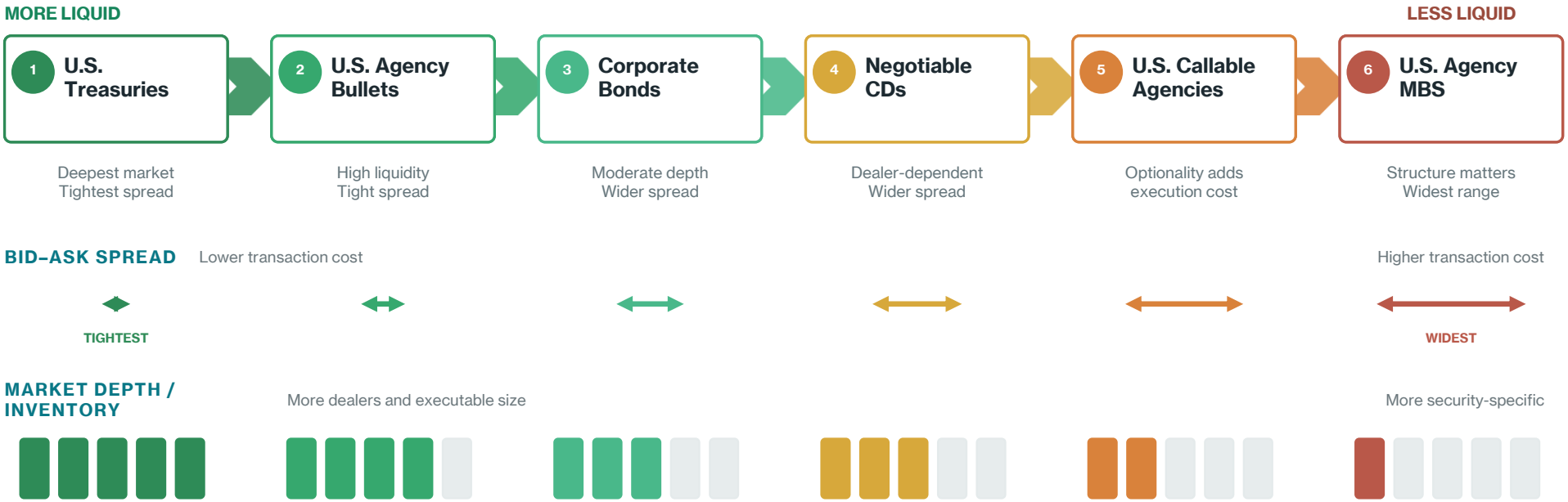
As trading depth declines and security-specific complexity rises, execution costs generally increase.



WHAT "LIQUID" MEANS Ability to trade quickly, in size, with limited price impact and a narrow bid–ask spread.

IMPORTANT CONTEXT Actual liquidity varies by issue size, maturity, structure, market volatility, and trade size.

*CONCEPTUAL HIERARCHY FOR PRESENTATION PURPOSES; NOT A QUOTED SPREAD SCHEDULE OR GUARANTEE OF EXECUTION.

Relative Value

The Treasury yield as a starting point

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Compare the bond with a Treasury of similar cash flow and maturity

Additional yield should compensate for the additional risks you are accepting.

Credit	Call or prepay	Liquidity	Complexity

U.S. Agency Bond Optionality:

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Bullets, Callable, and Step-Ups:



Interest rate factors- When interest rates are declining, issuers have an incentive to redeem outstanding bonds with higher coupon rates. When interest rates are declining the reverse is true- callable bonds won't be called.



This runs counter to investor expectations and may lead to a decline in a portfolio's yield over the term of the investment.

Total Returns: 1-5 Year Agy Bullets, Treasuries, Agy Callables

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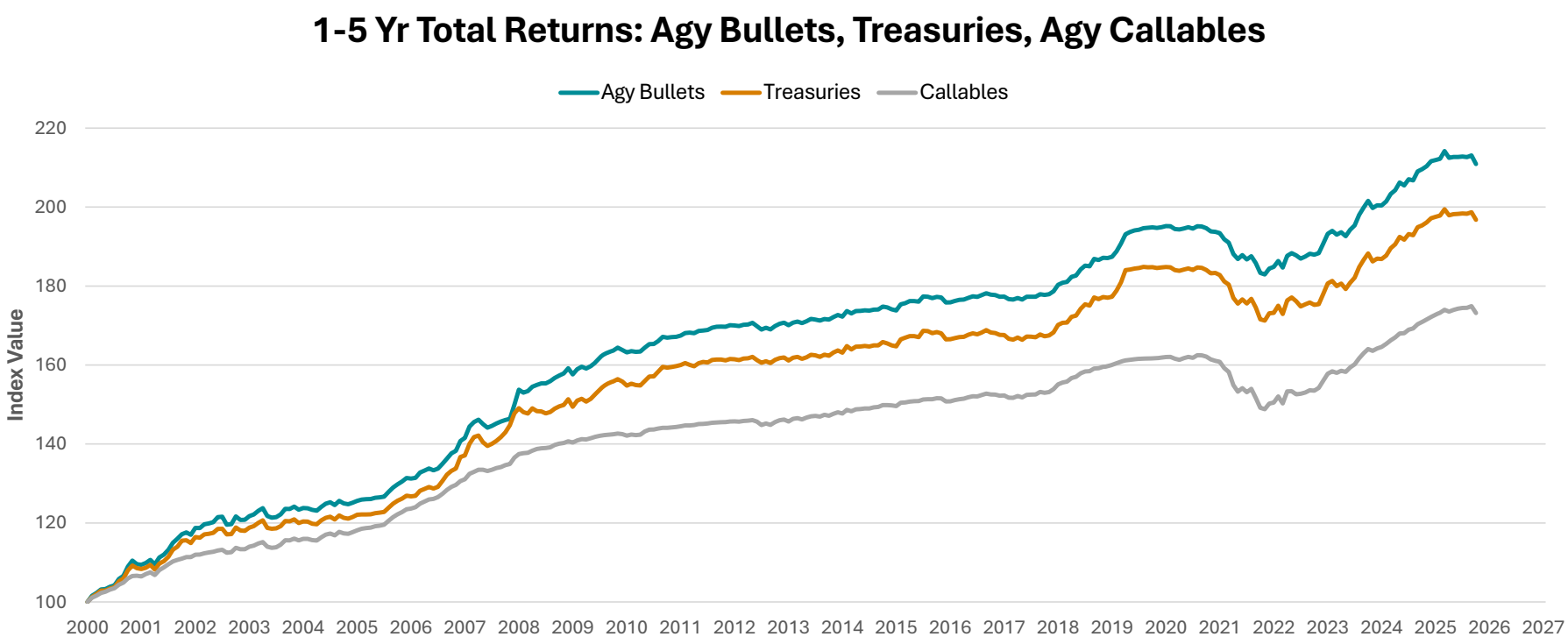

SOURCE: BLOOMBERG, ICE

Execution

Trading discipline: price, custody, records

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Before trade	Policy fit, **compare to the Treasury yield**, pre-purchase due diligence page
At trade	Comparable offers or recognized pricing source; **more than one approved broker**
After trade	Confirm settlement, reconcile safekeeping, retain records
Clear Reporting	Visual maturity ladders, dashboard of key metrics, allocation pie chart

Dashboards to Drive Your Portfolio By

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Your Portfolio Summary

	Portfolio
Yield at Cost	3.98
Weighted Average Maturity	2.507
Principal Cost	62,060,613.90
Par Value	62,047,083.05
Unrealized Gain/Loss	-1,281,847.47

Footnotes: 6,7

Your New Investments

Security Type	Quantity	Yield to Maturity
AGCY BOND	750,000.00	5.141

Footnotes: 1,2,3,4,5

Your Key Statistics

Risk Metric	Value
Cash	76,790.37
MMFund	2,743,082.58
Fixed Income	58,575,001.76
Duration	1.816
Convexity	0.040
WAL	2.027
Years to Final Maturity	2.503
Years to Effective Maturity	2.262
Yield	4.705
Book Yield	3.965
Avg Credit Rating	AA/Aa2/AA

Your Asset Allocation

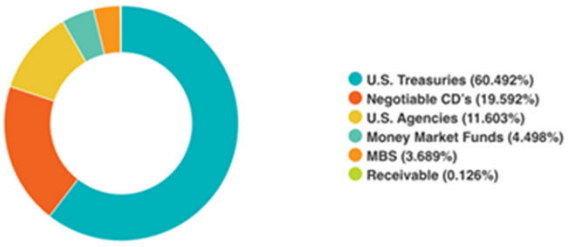
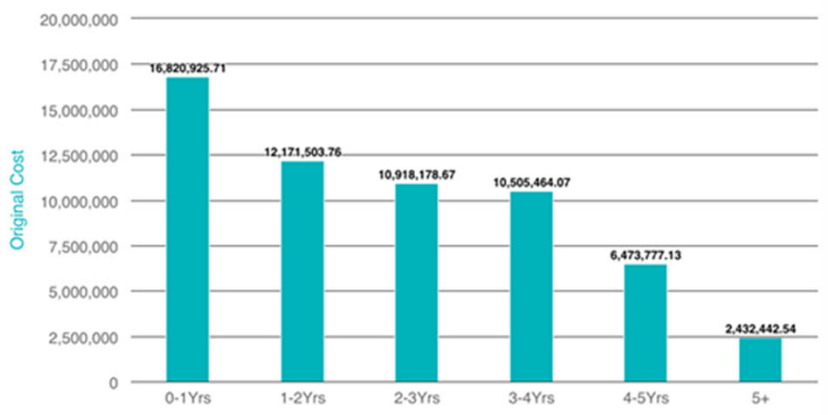


Chart calculated by: % of Market Value

Your Maturity Distribution



Cash Flow Month by Month

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Cash Flow Forecast (-202)

Base Currency: USD Projected Cashflows For 10/15/2026 - 10/14/2027

Dated: 10/15/2026

Date Groups	Account	Transaction Type Group	Transaction Type	Identifier	Description	Post Date	Amount	Ending Cash Balance
Beginning	M-EUCCU	---	MMFUND	31846V336	FIRST AMER:GVT OBLG X	---	2,743,082.58	2,743,082.58
Past Due	M-EUCCU	---	---	---	---	10/15/2026	49,518.48	2,792,601.06
10/15/2026 - 10/31/2026	M-EUCCU	---	---	---	---	---	571,942.24	3,364,543.30
11/01/2026 - 11/30/2026	M-EUCCU	---	---	---	---	---	3,063,251.11	6,427,794.41
12/01/2026 - 12/31/2026	M-EUCCU	---	---	---	---	---	2,221,359.98	8,649,154.39
01/01/2027 - 01/31/2027	M-EUCCU	---	---	---	---	---	1,627,000.31	10,276,154.70
02/01/2027 - 02/28/2027	M-EUCCU	---	---	---	---	---	1,746,995.87	12,023,150.57
03/01/2027 - 03/31/2027	M-EUCCU	---	---	---	---	---	1,249,933.83	13,273,084.40
04/01/2027 - 04/30/2027	M-EUCCU	---	---	---	---	---	2,243,755.00	15,516,839.40
05/01/2027 - 05/31/2027	M-EUCCU	---	---	---	---	---	310,954.31	15,827,793.71
06/01/2027 - 06/30/2027	M-EUCCU	---	---	---	---	---	2,542,219.38	18,370,013.09
07/01/2027 - 07/31/2027	M-EUCCU	---	---	---	---	---	352,660.44	18,722,673.54
08/01/2027 - 08/31/2027	M-EUCCU	---	---	---	---	---	2,236,375.18	20,959,048.71
09/01/2027 - 09/30/2027	M-EUCCU	---	---	---	---	---	1,219,427.40	22,178,476.12
10/01/2027 - 10/14/2027	M-EUCCU	Coupon/Dividend	Coupon	---	---	---	7,883.20	22,186,359.32
---	**M-EUCCU**	**---**	**---**	**---**	**---**	**---**	**22,186,359.32**	**22,186,359.32**

Reporting

What the board should see each quarter

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Liquidity	Cash by time horizon; stress resources
Risk	Duration, optionality, concentrations, credit watch list
Value	Market value, income yield, total return, benchmark context
Controls	Policy exceptions, pricing, custody reconciliation

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What investment portfolio best practice will I look to implement right away?



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Takeaways

A practical review for the next 30 days

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1. Perform a liquidity analysis that includes actual loan performance and cash on hand needed
2. Read the policy against actual holdings and authority limits, consider your asset class mix
3. Review call, prepayment, and maturity exposures
4. Compare investment decision practice and board reporting to the decisions they support

Additional Information or Questions

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1. Move my portfolio to a single third party custodian/safekeeper with securities registered and held in the name of my credit union.
2. Add a U.S. Treasury yield monitor to my internet browser bookmarks and have it up when I make portfolio decisions.
3. Consider the LIQUIDITY of the securities I put in my portfolio in case of unexpected factors.
4. Get more than one offer on investments I purchase when working with a single broker inventory.