

Family First Credit Union

Asset/Liability Management Procedures

The procedures, responsibilities and evaluations included in the Asset/Liability Management (ALM) procedures are subject to the guidelines contained in the Credit Union's written policies, specifically the Asset/Liability Management Policy and the Investment Policy.

Daily Responsibilities

Management (CFO and Operations Manager), along with the Accounting Specialist, will evaluate the Credit Union's liquidity position, review the investment portfolio, and review current interest rates on a daily basis. This information will be assessed in order to determine the Credit Union's investment needs.

Monitoring the liquidity position will also include the review of changes (increases and decreases) in loans and deposits and assessing anticipated loan demands or other funding needs.

Monthly Procedures and Responsibilities

Management will review the month-end financial statements, key financial ratios and interest rate spreads on a monthly basis. The monthly review will include a review of the Credit Union's liquidity position, investment portfolio, and changes in loans and deposits. This information will be evaluated in order to:

- assess earnings and liquidity adequacy
- anticipate funding needs
- anticipate loan demands
- ensure there are no material mismatches in the balance sheet
- assess adequacy of capital
- analyze asset concentration and evaluate level of non-earnings assets
- assess and evaluate key CAMEL ratios in relation to the Credit Union's goals and objectives and regulatory agency requirements.

Management will closely monitor and review interest rates (loans, deposits and investments). This will include the review of rates paid and charged by competing financial institutions for loans and deposits. This will ensure that rates are consistent with market conditions and are fair to the members (both borrowers and savers). This information will be evaluated in order to:

- determine adequacy of the Credit Union's interest rates
- determine if loans and/or deposits should be subject to repricing
- assess net interest margin and cost of funds ratios.

Management will review the financial statements, key ratios and financial trends with the Board of Directors at each monthly meeting.

Quarterly Procedures and Responsibilities

In addition to the aforementioned monthly procedures, management will perform some additional procedures on a quarterly basis as follows.

Management will provide information and statistics to the ALM Analyst / Specialist for the purpose of producing the quarterly ALM reports. Management will use these reports to evaluate interest rate risks, liquidity risks and key ratios. The quarterly ALM reports will be monitored and reviewed by the ALM Committee in order to:

- monitor interest rate risks
- monitor credit risks
- monitor real estate / mortgage loan risks
- monitor liquidity risks
- monitor changes in NEV
- examine impact of changing rates on the Credit Union's financial position through the use of "what if" scenarios
- assess the performance against the prior quarter's strategy and performance (compare actual results to intended results)
- evaluate key ratios and financial trends in relation to the Credit Union's goals and objectives.

Management will report key components of the quarterly ALM report to the Board of Directors.

Other – As Required

Management will analyze pricing strategies of products and services on an ongoing basis.

Management will analyze the impact of new product and/or services prior to implementation. Pricing strategies and the potential impact on the Credit Union's interest rate risk and liquidity position will be examined.

Management will monitor mortgage loan activity on an ongoing basis. Management will determine which loans to sell and which loans to hold in order to best enhance the financial position and performance of the Credit Union.

The Credit Union will maintain a line-of-credit with Catalyst Corporate Federal Credit Union subject to renewal annually. Management will monitor the line-of-credit and will authorize any amount borrowed. Any funds borrowed against the line-of-credit will be reported to the Board of Directors each month. Generally, the Credit Union will resort to borrowing funds only after primary liquidity sources have been exhausted.