

NUTMEG STATE FINANCIAL CREDIT UNION

Board of Directors

Liability Management Committee (ALCO) Charter

I. Purpose

The ALCO will serve as a Board sub-committee to monitor Interest Rate, Liquidity, Net Worth & Investment risks by providing strategic direction for Credit Union Management and monitoring balance sheet composition changes over time; ensuring that its assets and liabilities are effectively managed to achieve financial stability, profitability, and risk management goals. The Committee will focus on the following:

- Liquidity Trends and Adequacy
- Net Interest Margin and Profitability required for adequate Net Worth.
- Investment performance and risk to earnings and Net Worth

II. Authority

This is a Board Sub-Committee acting on behalf of the Board of Directors. Any decisions requiring full Board review and approval will be presented to the Board. Meeting minutes and information packages will be provided to the Board at the next Board Meeting. All reporting outlined in Board-approved policies may be provided to the ALCO or the Board as outlined in policy or at the direction of Board, as recorded in Board Meeting Minutes.

III. Roles

The Committee will consist of no less than (2) Board Members, appointed by the Board Chair and ratified at the board meeting following the Annual Member Meeting. Committee members should possess expertise in financial management, risk assessment, and credit union operations. The committee will also include voting and non-voting members from relevant Management functional areas.

Voting

- Board Member – Committee Chair
- Board Chair
- Chief Executive Officer
- President/ Chief Operating Officer
- Chief Financial Officer
- Chief Lending Officer
- Chief Experience Officer
- Any additional Board Member(s)

Non-Voting Members

- Finance Director
- Director of Member Service
- VP, Consumer Lending
- VP, Real Estate & Commercial Lending

IV. Responsibilities

1. **Risk Assessment:** Regularly assess and analyze the credit union's interest rate risk, liquidity risk, and other relevant risks associated with the balance sheet.
2. **Policy Development:** Develop and recommend ALM policies and strategies to the board for approval, ensuring alignment with the credit union's strategic goals and risk tolerance.
3. **ALM Monitoring:** Continuously monitor the credit union's asset and liability positions, including loan portfolios, investments, and deposit liabilities, and evaluate their performance against established benchmarks.
4. **Scenario Analysis:** Conduct scenario analysis and stress testing to evaluate the impact of various economic and interest rate scenarios on the credit union's financial position.
5. **Reporting:** Provide regular reports to the board and senior management on the credit union's ALM performance, key risk indicators, and recommended actions.
6. **Recommendations:** Make recommendations to the board for adjustments to the credit union's asset and liability mix to mitigate risk and optimize financial performance.

V. Quorum

At least four voting members must be present to establish a quorum for decision making. Alternatively, decisions may be voted on via email with concurrence recorded in the minutes of the next meeting.

VI. Review and Amendment

This charter shall be reviewed as needed to ensure its relevance and effectiveness. Amendments may be proposed and approved by the ALCO Committee with board concurrence.

VII. Meeting Frequency

The Committee will meet as frequently as needed but no less than quarterly.

VIII. Approval

This charter was approved by Nutmeg State Financial Credit Union board of directors on September 24, 2023.