

Investment Price Risk

Data as of December 2014

What is Price Risk?

Price risk represents the fluctuations in the value of a security or a portfolio when market interest rates change.

If rates increase

the value of a security declines

Available-For-Sale (AFS) vs. Held-To-Maturity (HTM)

Marked-to-market monthly

Acquired with the intent to hold until maturity

Gains or losses reflected in the FASB 115 account in equity

More flexibility in selling securities

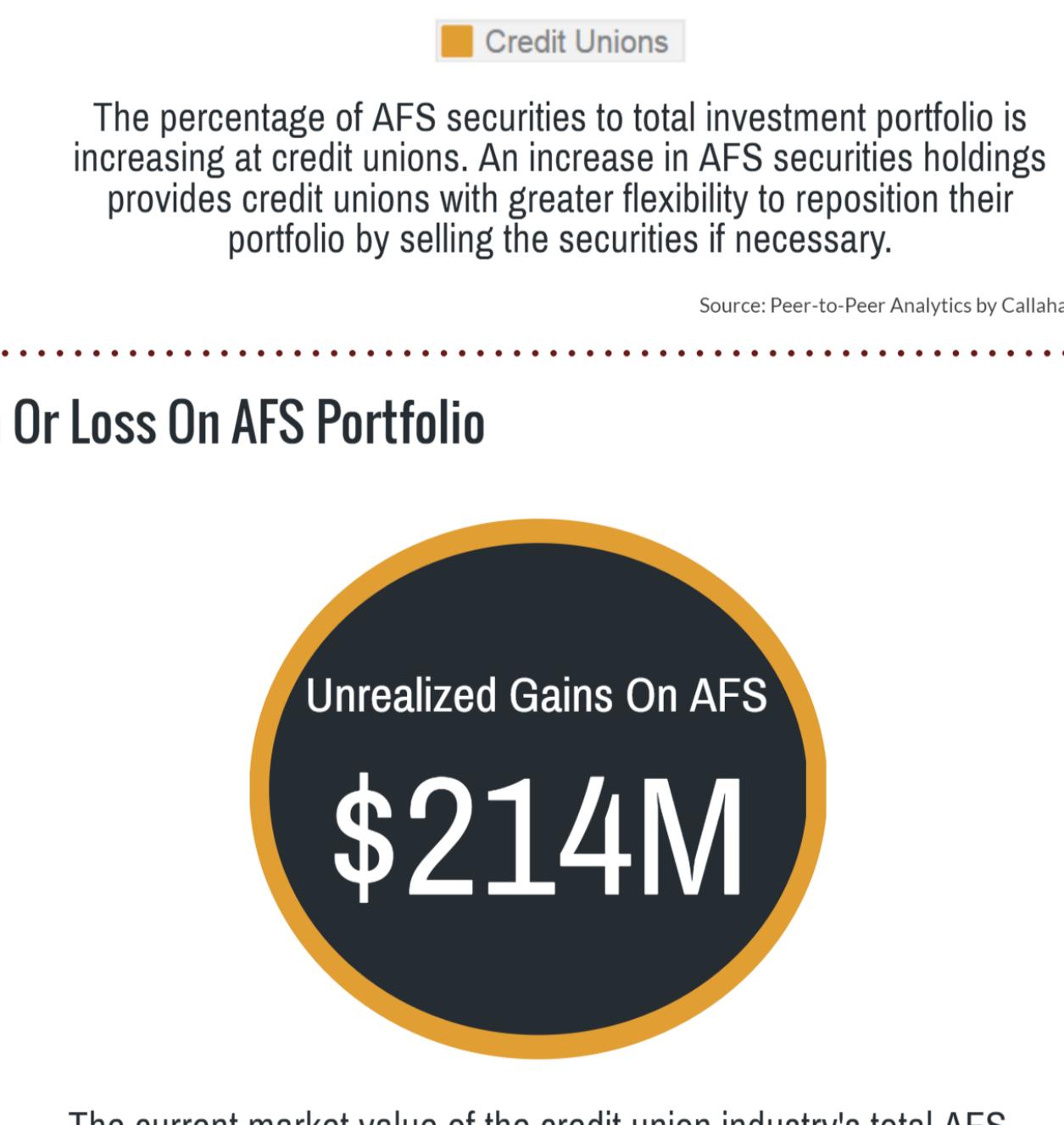
Must be held to maturity or at risk of tainting the entire portfolio

Reported on the balance sheet at amortized cost

Available-For-Sale Securities

Held-To-Maturity Securities

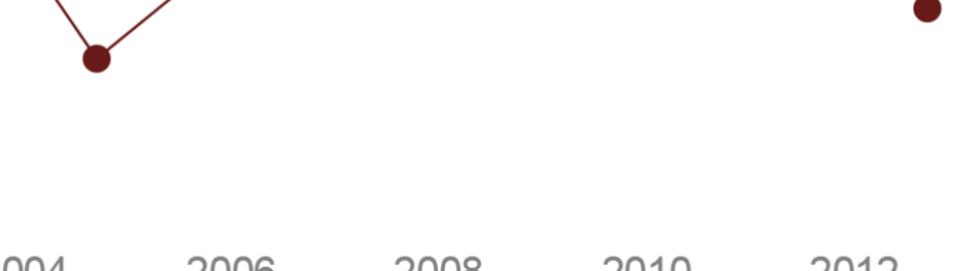
Held-To-Maturity As A % Of Total Investments



In anticipation of an interest rate hike, banks are rapidly moving their debt securities into the HTM bucket to maintain required capital levels and reduce credit risk. Meanwhile, the ratio of HTM as a percentage of total investments for credit unions remains stable.

Source: Peer-to-Peer Analytics by Callahan & Associates & FDIC

Available-For-Sale As A % Of Total Investments



The percentage of AFS securities to total investment portfolio is increasing at credit unions. An increase in AFS securities holdings provides credit unions with greater flexibility to reposition their portfolio by selling the securities if necessary.

Source: Peer-to-Peer Analytics by Callahan & Associates

Gain Or Loss On AFS Portfolio

Unrealized Gains On AFS

\$214M

The current market value of the credit union industry's total AFS securities is higher than its book value by \$213.8 million. Today, total AFS balances stand at \$167.3 billion.

Source: Peer-to-Peer Analytics by Callahan & Associates

Total current price risk measures the change in the value of the investment portfolio — both AFS and HTM securities — as a percentage of total investments. For the past 10 years, credit unions' total price risk has been minimal. Gains from the value of investments suggests credit unions have limited risks and will post gains if they need to sell the securities now.

Source: Peer-to-Peer Analytics by Callahan & Associates

30 YEARS

CALLAHAN & ASSOCIATES

the credit union company