

The DAVY logo consists of the word "DAVY" in white, uppercase, sans-serif font, centered within a solid red square. The background of the entire slide is a high-angle, close-up photograph of turbulent, white-water rapids flowing over dark, jagged rocks. The water is churning and frothy, creating a sense of movement and intensity. The lighting is dramatic, with strong highlights on the white foam and deep shadows in the crevices of the rocks.

**DAVY**

Credit Union Consultancy Services

# Practical Strategies for Making Investment Decisions and Managing Assets, Liabilities and Liquidity in Uncertain Times

Presented by: Kevin Walsh, Director – Head of Credit Union Consultancy Services

28th May 2026

**WARNING:** The report is general in nature and does not disclose all the features and risks of the investments mentioned; however, it is designed to give you information on the investment options, risks and characteristics that your Credit Union needs to consider.

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Please note that the information herein is to be presented by your advisor to provide an insight into the current market landscape.

This document is for discussion purposes only & not to be distributed.

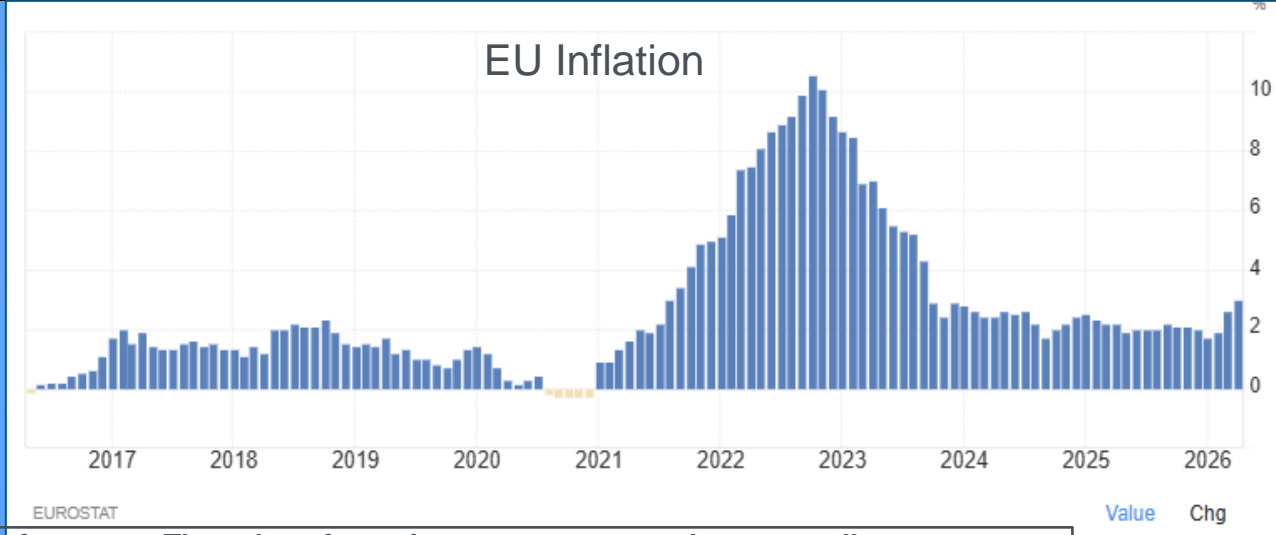
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Section 1

# Macro



# Current market concerns



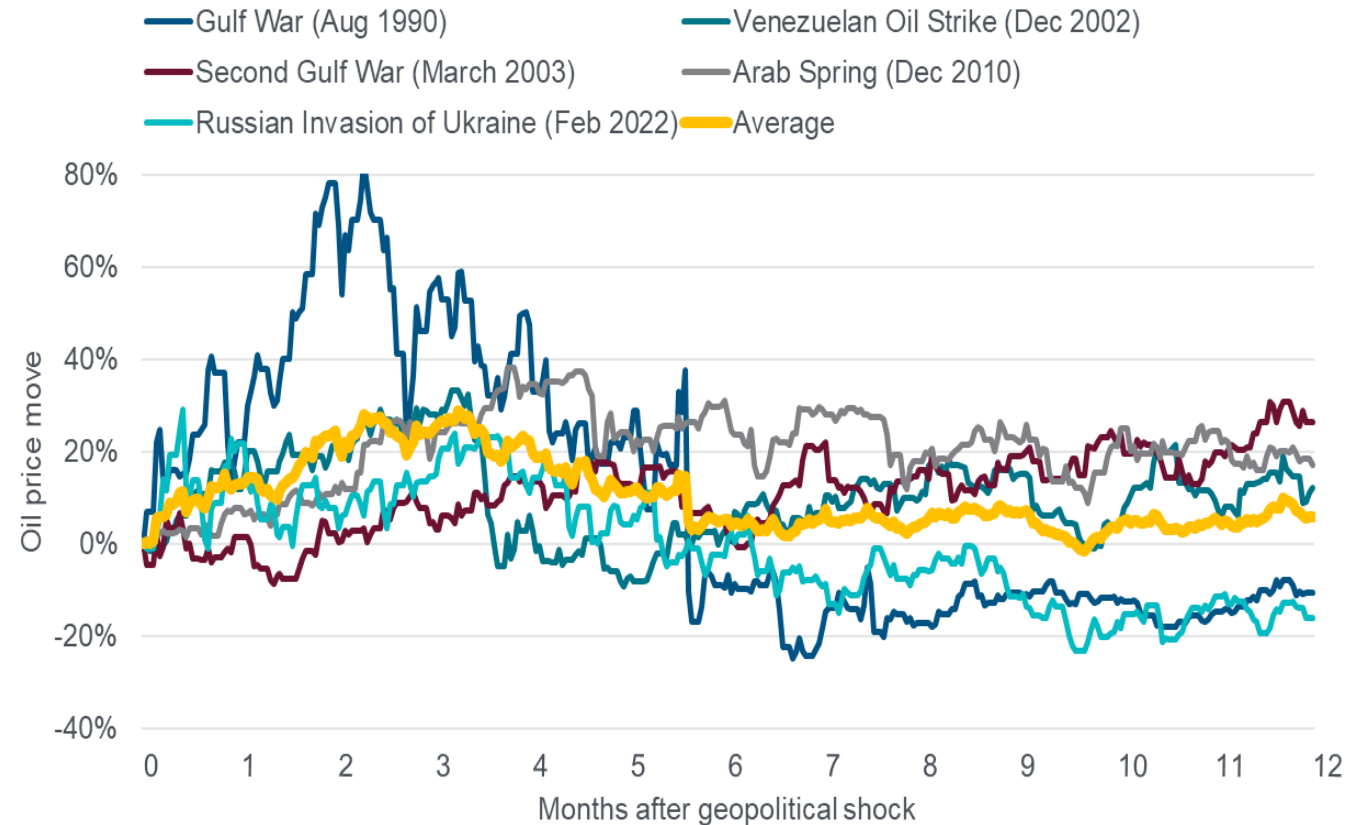
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# Geopolitics – Oil Price

Historically, oil rallies have been short in duration

- Recent conflict in the Middle East has sparked an oil price rally, due to supply disruption in the Strait of Hormuz.
- Oil price spikes following geopolitical shocks are common. An analysis of past events shows that, on average, the oil rally fades within a few months.
- Fortunately, the global economy is now less sensitive to oil prices than it was previously. Only a major and prolonged disruption in oil supply would significantly impact global growth.

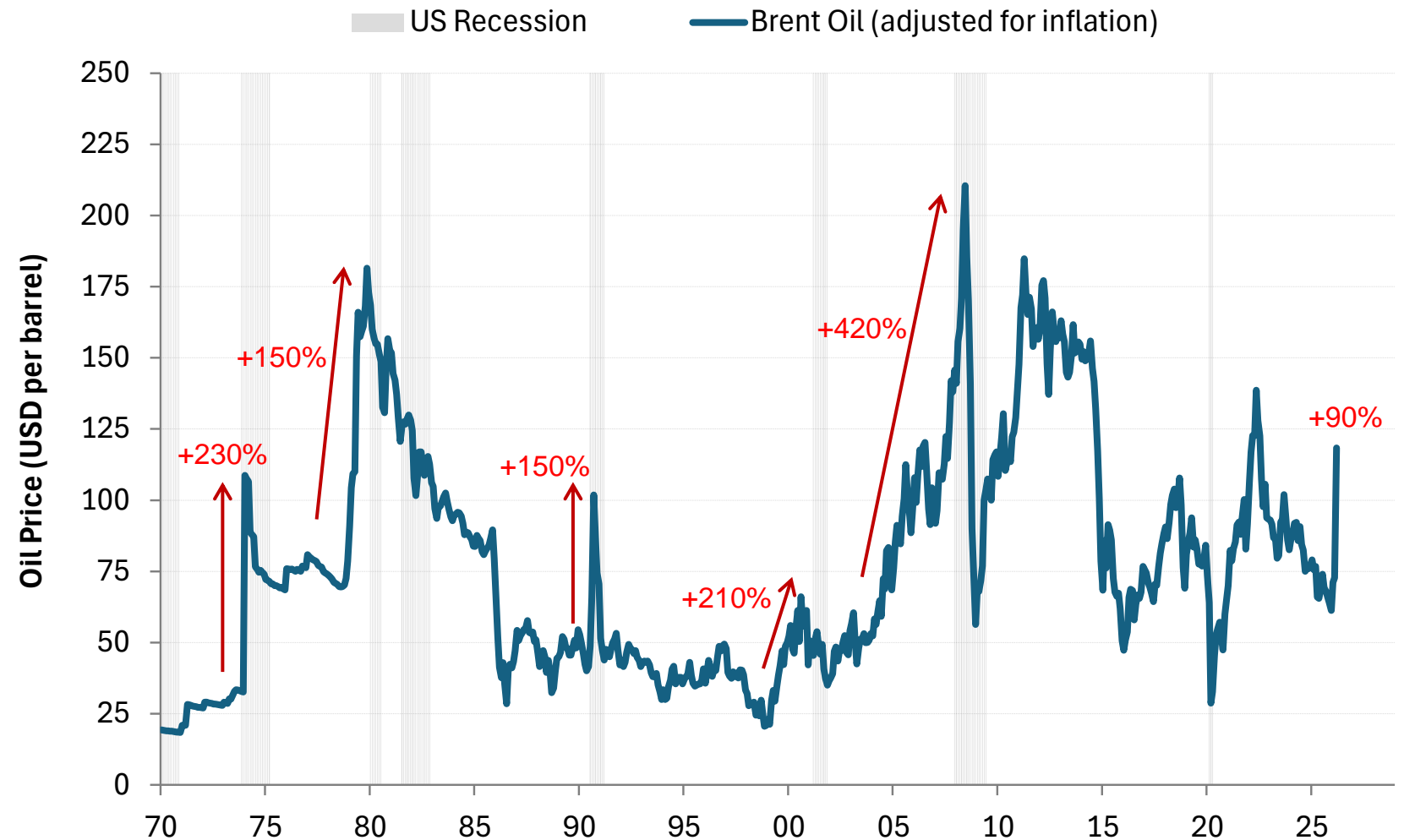
### Oil price moves after past geopolitical shocks



Source: Bloomberg, UBS as of 31/03/2026. Brent crude oil price is used in the chart.

# Oil vs The Economy

- Every US recession from 1970 to 2020 was preceded by a large oil price increase.
- The covid recession was an exception.
- But correlation is not causation – high oil prices can also be a sign of a strong economy.

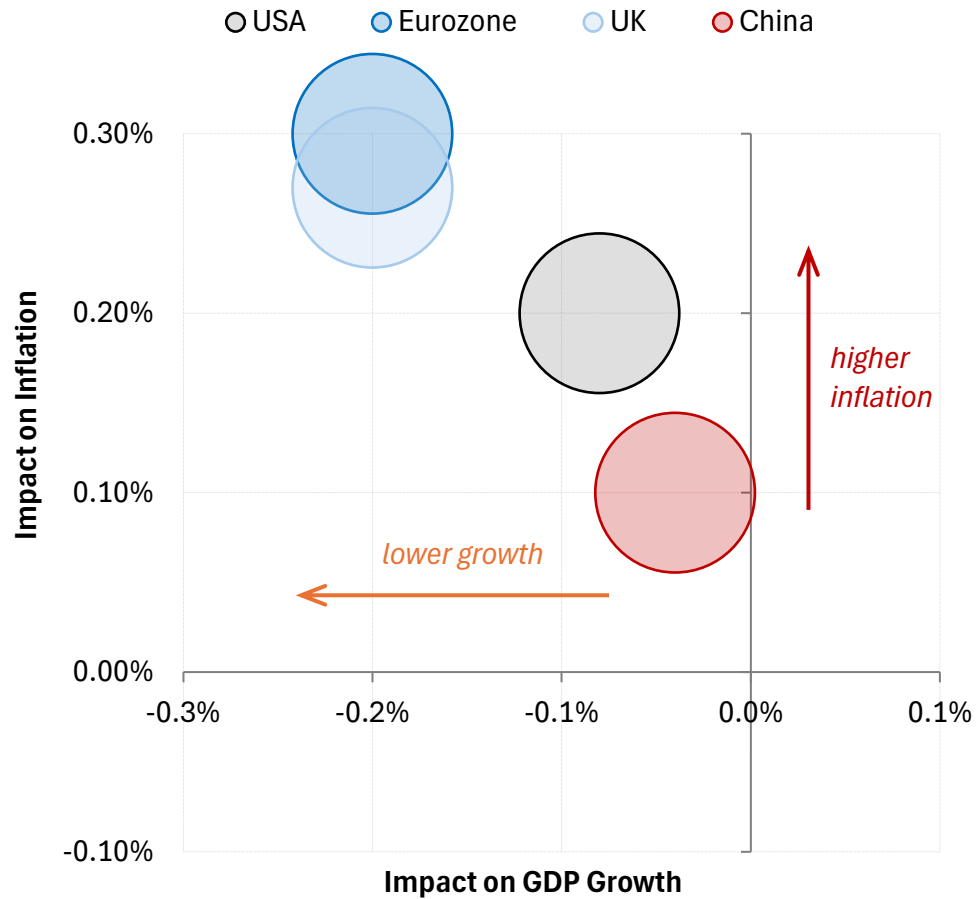


Source: DataStream, NBER (National Bureau of Economic Research). Oil price is adjusted for US CPI (consumer price inflation).

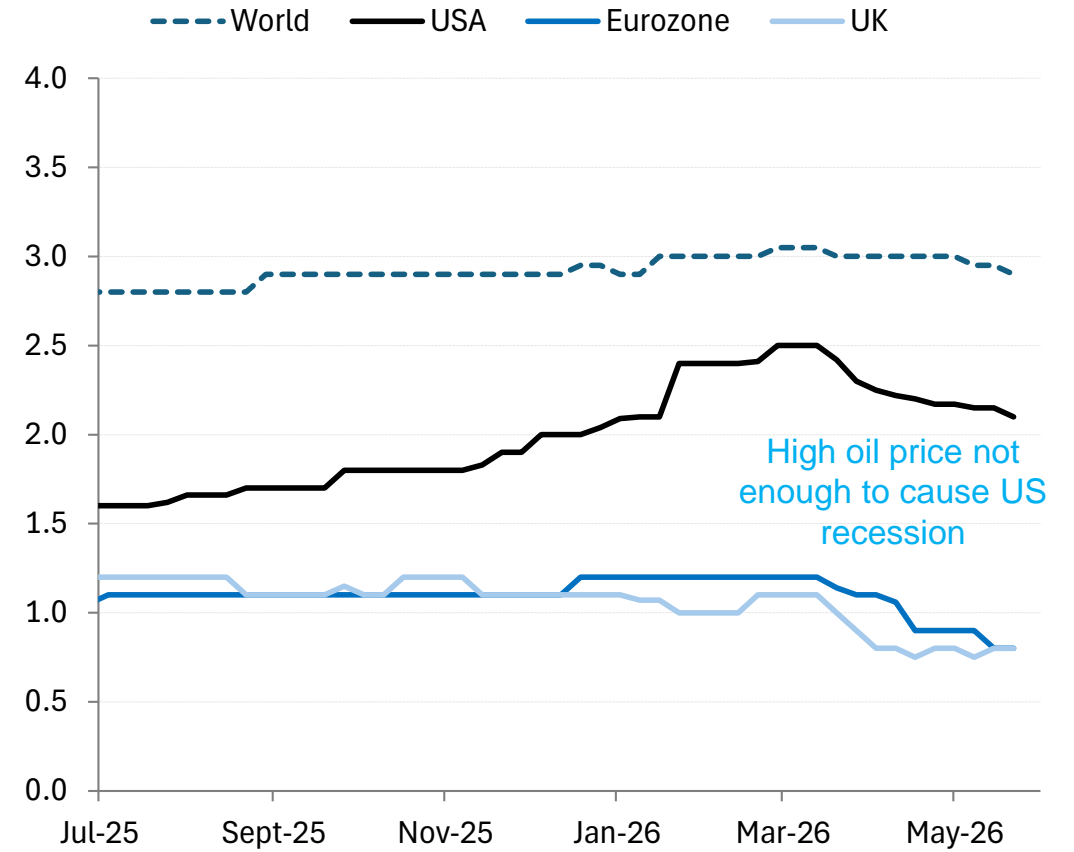
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# Impact of Higher Oil Prices

## Impact of Sustained 10% Oil Price Increase



## Consensus 2026 Growth Forecasts



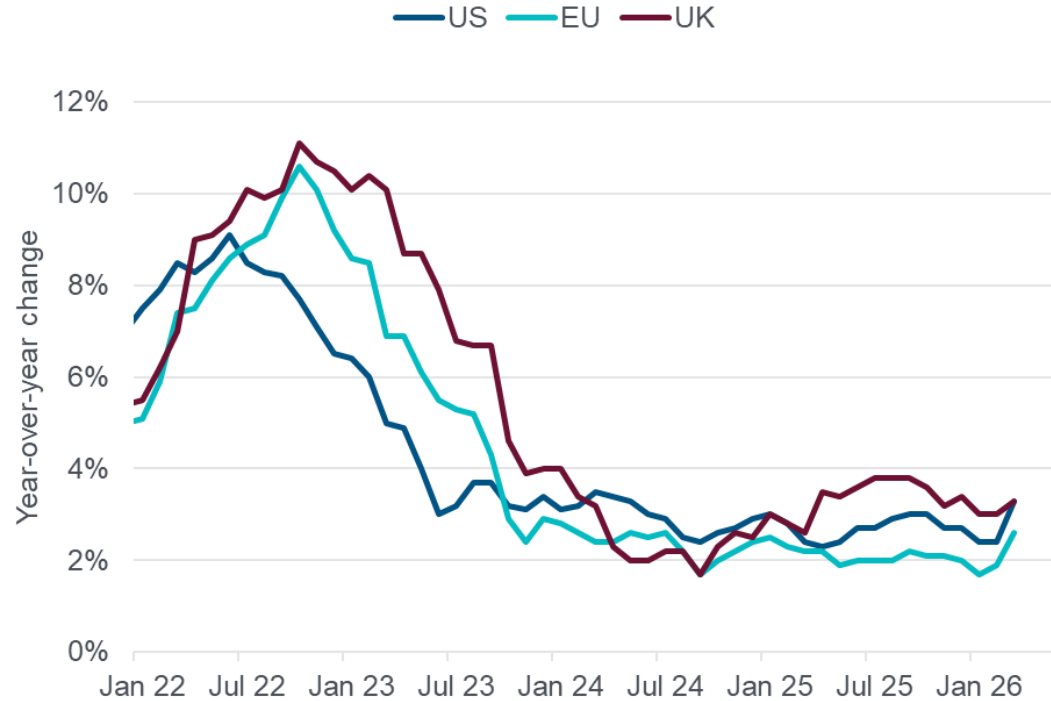
Source: Bloomberg, Goldman Sachs Research. Consensus growth forecasts as of 22<sup>nd</sup> May 2026.

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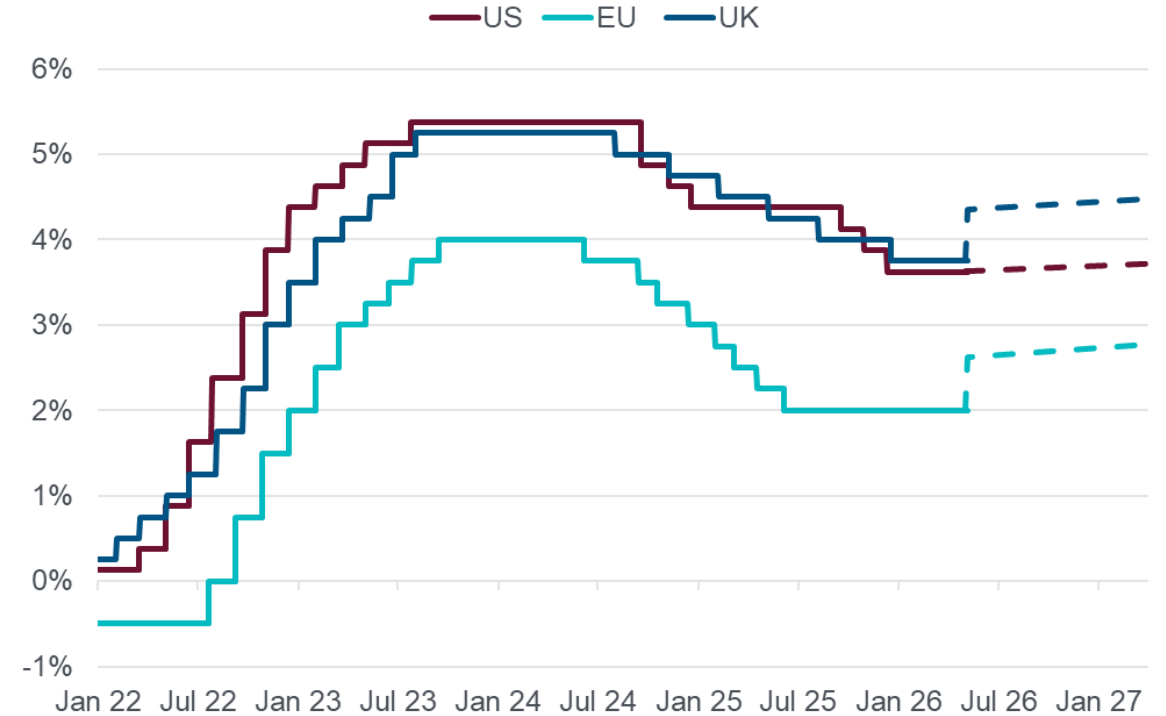
# Inflation & Interest Rates

Inflation ticking up with interest rate hike expectations rising

**Inflation progress has stalled...**



**...and interest rate expectations have risen**

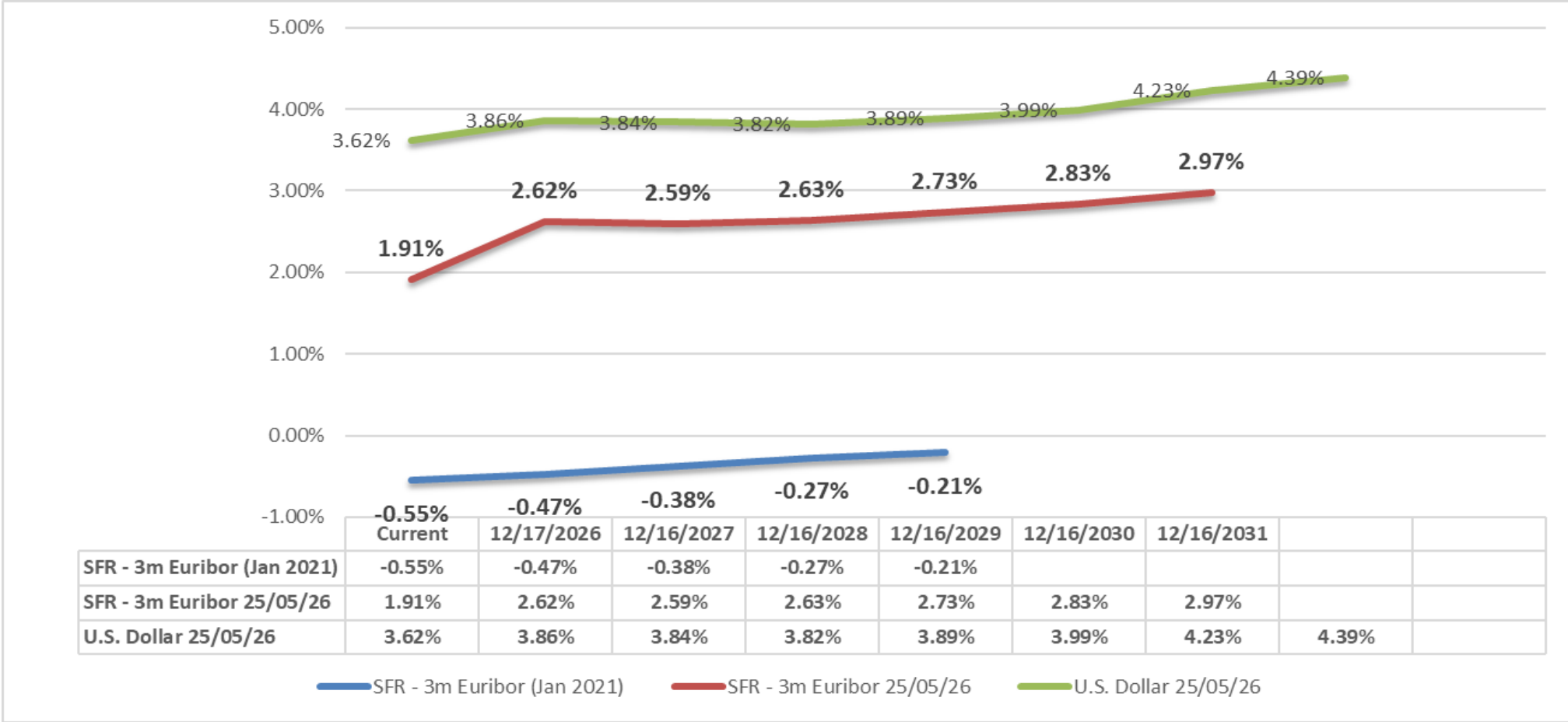


Source: Bloomberg as of 30/04/2026.

Source: Bloomberg as of 30/04/2026. A rate cut means a 25bps cut to central bank rates. Dashed lines represent expected rates path.

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# Short Term Interest Rate Expectations



Source: Bloomberg, as of 25/05/2026. All in local currency.

Note: SFR = Synthetic Forward Rate. All date is based on SFR - an interest rate forward based on 3 month deposit rate

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Section 2

# Irish Economy



# Ireland's Economic Outlook: What It Means for Credit Unions and Members (May 2026 Update)

A period of continued economic growth, supported by public spending and labour market stability



## Public Finances

- General government surplus now forecast at €9.2bn in 2026.
- Exchequer deficit of €1.2bn.
- Spending growing at a slower rate than revenues



## Labour Market

- Ireland's labour market remains strong in 2026, with payrolls growth running at around 2.5% YoY.
- Ireland's adult population continues to grow by more than 2% a year.
- Jobs growth has been strongest in higher-paid sectors and has improved for younger workers.



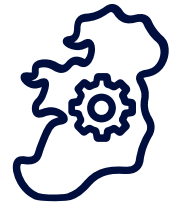
## Economic Momentum

- Fuel protests will impact growth levels in Q2
- Government spending will also be impacted as emergency measures increase spending.
- Population inflows and improving housing activity expected for 2026, while exports remain subdued due to pharma volatility.
- Ireland's economy continues to show strong resilience to shocks.

*Overall: Ireland continues to experience stable growth, strong employment and solid public finances — supporting member repayment capacity and credit union lending conditions.*

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# Irish Economic outlook



## Irish Inflation (CPI) – 3.7% YoY in Apr

- Inflation sharply higher at 3.7% YoY (from 2.7% in Feb).
- Core CPI (ex-energy & unprocessed food): +2.6% YoY.
- Biggest annual rises: education services +8.9%, Housing, water electricity and gas (+8.1%). Clothing & footwear +7.9%.
- Only annual decline: Furnishings, Household equipment –0.6%.
- Monthly price increase: +0.5% in Apr.

## Exchequer Returns strong but volatile

- Corporation tax +10% YoY in April.
- Non-corporation taxes ~+5% YoY, ahead of Budget 2026 expectations (4.3%).
- Current spending jumped by 19% owing to timing effects (pension payments)

## Irish Unemployment – up to 4.8% in Apr

- Unemployment rate at 4.8% (down from 5% in March).
- Male unemployment: 4.5% (down slightly).
- Female unemployment: 5.2% (down slightly).
- Youth unemployment: 9.8%, down from 11.2% in Mar.
- Ages 25–74 rate: 4.1%, down on the month.

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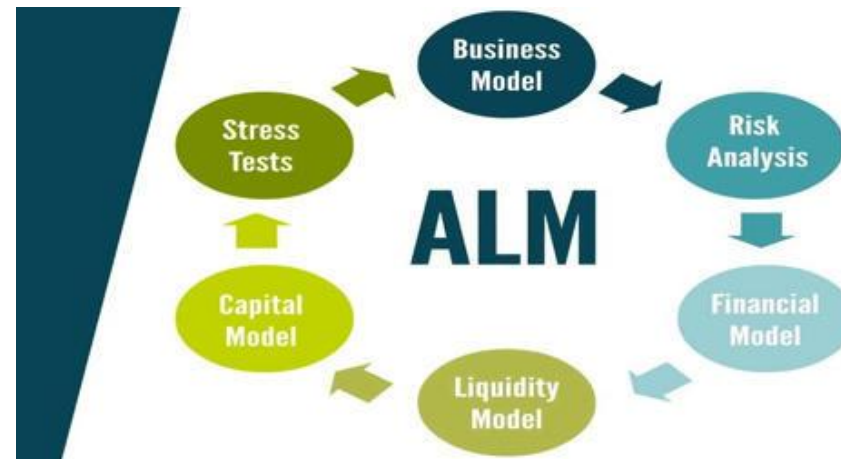
Section 3

# Asset Liability Management (ALM)



## What do we mean when we talk about ALM?

- **ALM is** a relatively broad term concerned with managing the risks associated with the Balance Sheet of your credit union, taking all aspects of your business model into account
- **Goal of ALM** is to properly manage the risk of changes in interest rates and to the interaction of both sides of your balance sheet;
  - your **assets** (mainly loans and investments) and
  - on the other side of the balance sheet (represented mainly by capital in the form of reserves and **liabilities** in the form of member deposits).
- **Risks** should be managed in a manner that contributes adequately to earnings and limits risk to the financial margin and member equity



# ALM Definition

- **ALM definition:**

- Asset and liability management (ALM) is a practice used by financial institutions to mitigate financial risks resulting from a mismatch of assets and liabilities. ALM strategies employ a combination of risk management and financial planning and are often used by organizations to manage long-term risks that can arise due to changing circumstances.\*

\* Source; *Corporate Finance Institute*

- **ALM definition:**

- Defines asset-liability management (ALM) as the process whereby a bank's total assets and liabilities are controlled and managed simultaneously in an integrated fashion. In the management of the overall balance sheet, ALM comprises the **strategic planning and implementation and the control processes that affect the volume, mix, maturity, interest rate sensitivity, quality, and liquidity of the bank's assets and liabilities**. Asset-liability management addresses the protection of both income and capital from interest rate risk, which originates from mismatches in the repricing of assets and liabilities. Interest rate risk management aims to maintain interest rate risk exposures within authorized levels. Banks generally attempt to ensure that the repricing structure of their balance sheet generates maximum benefits from expected interest rate movements; this repricing structure may be influenced by liquidity issues, particularly if the bank does not have access to interest rate derivatives to separate its liquidity and interest rate views\*\*

\*\* Source; *Asset-Liability Management, Greuning and Bratanovic WorldBank*



**Asset and Liability Management**  
Mitigating Risks Associated with a  
Mismatch of Assets and Liabilities

## XYZ CU Net Interest Margin (NIM)

	Funding rate	Wholesale market deposit rate	Loan type	Loan rate (APR)	Current Interest margin (before costs)	Revised Interest Margin (before costs)
3 year deposit	0%	2.9%	Car loan (up to 5 years)	7.76%	7.1%	4.1%
4-year deposit	0%	3%	Education loan (4 years)	7.76%	7.1%	4.1%
5-year deposit	0%	3.1%	Personal loan (5 year)	12.68%	12.0%	8.8%
25-year deposit	0%	3.8%*	Mortgage loan (25 years)	4%	3.3%	-0.2%
5-year deposit	0%	3.1%	Home improvement loan (5 years)	8.84%	8.1%	5.0%



**Asset and Liability Management**  
 Mitigating Risks Associated with a  
 Mismatch of Assets and Liabilities

\* 25 year Irish government bond yield

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## What should an ALM policy for a credit union consider?

Liquidity risk

Interest rate  
risk

Balance  
sheet mix

Funding and  
capital  
management

Loan pricing  
policy

Deposit  
pricing

Loan terms

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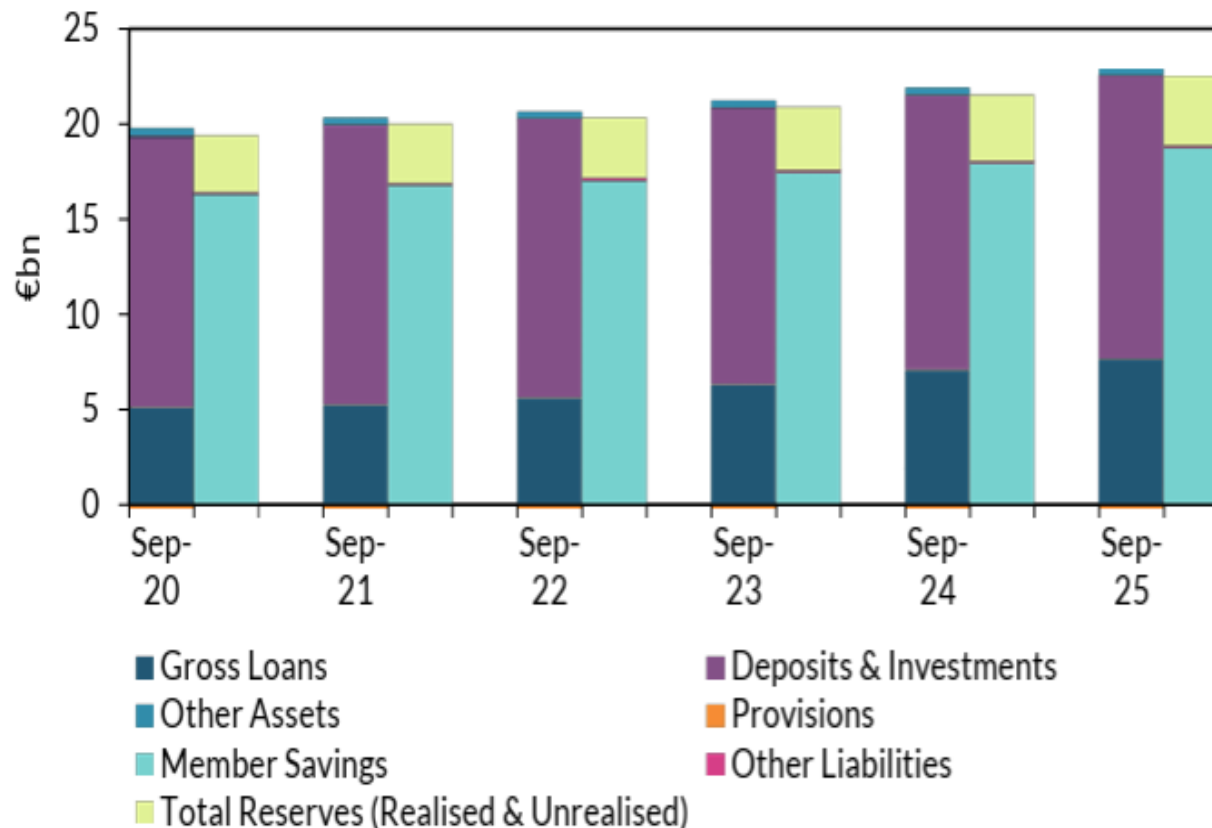
# Credit Union business model has in built mismatches



## Balance sheet main drivers

- Loans increasing at 8% yoy
- Member deposit inflows remain robust
- Investment portfolios continuing to grow strongly
- Continued growth in equity (reserves)

Chart 2 - Balance Sheet Composition



Source: Davy / Central bank Financial Conditions of Credit Unions .

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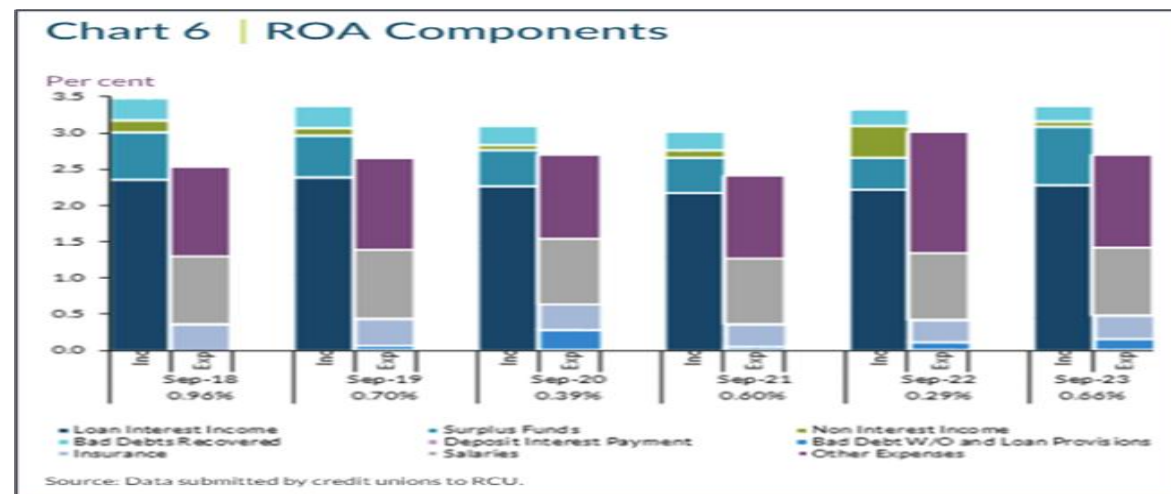
# Credit Union business model has in built mismatches



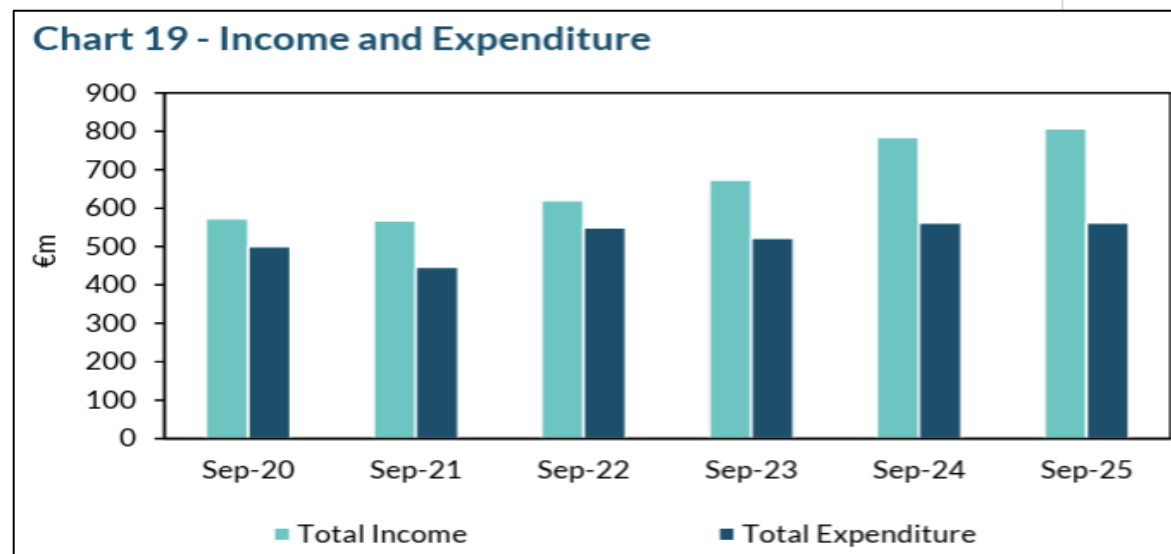
## Income and Expenditure

- Top line growth strong in last few years
- Lending ratios picking up again in 2025 / 2026
- Income from investments strong
- as interest rates and bond yields increased from 2022
- Costs remain high and out of line with other lenders (banks)
- Net interest income rebounding strongly from 2022 onwards

Source: Davy / Central bank Financial Conditions of Credit Unions .



Source: FCCU Apr 2024, graph not published in Apr 2026



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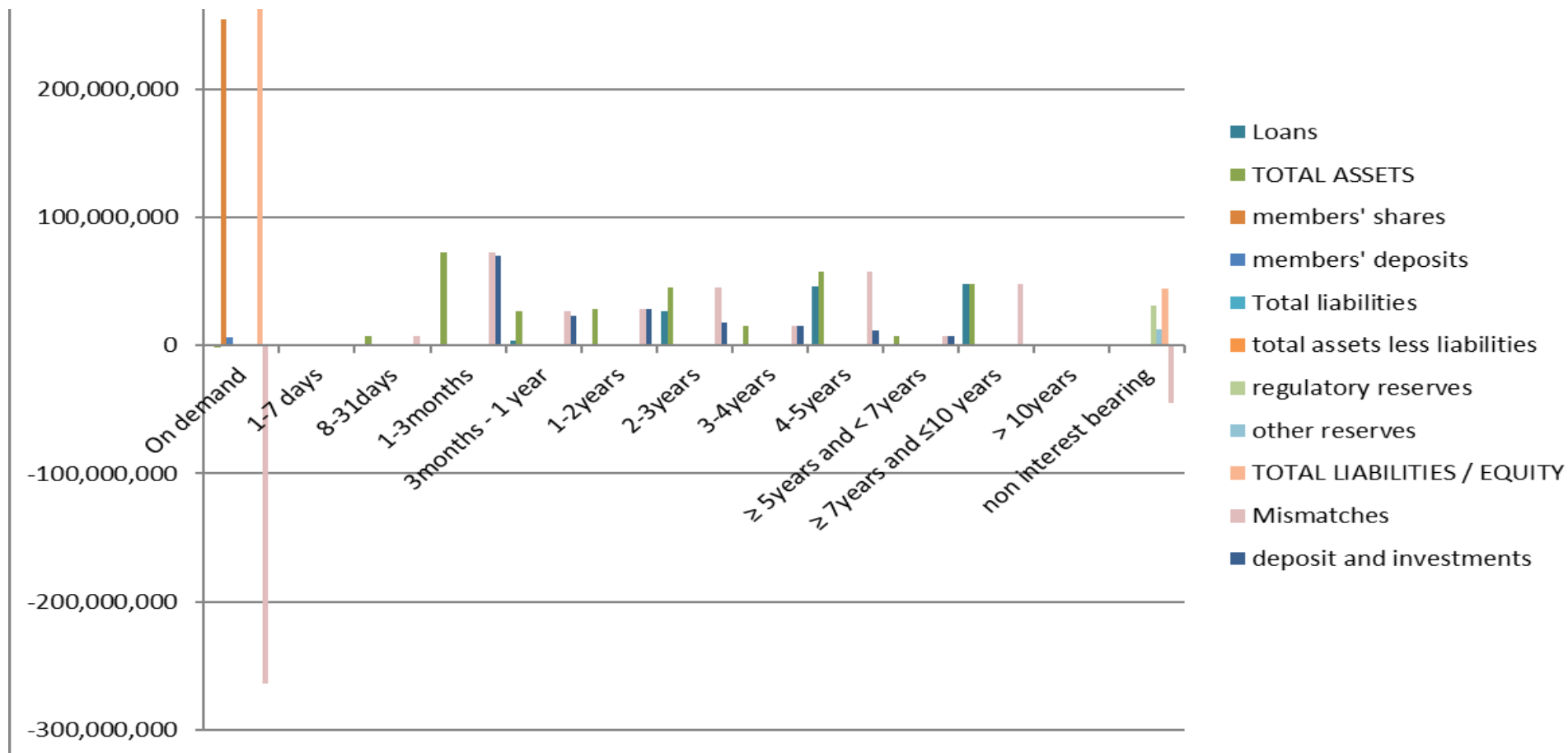
# ALM Data Analysis & Factors To Consider

In built mismatches in Credit Union business model illustrated



## Asset liability mismatch

- Large gap between the funding base which is effectively all retail call deposits (on demand members' deposits) and the assets of the CU
- Funding returns on retail deposits in the form of interest on member deposits (currently close to zero) / dividends and rebates versus earning-assets in the form of loans



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## Credit Union business model has in built mismatches



### Balance sheet sample credit union

- 2 main lines on every CU balance sheet:
  - Assets: Loans and investment portfolio (98% of assets)
  - Liabilities: Member shares and capital (99% of liabilities)

		Loss (Opportunity cost) for 1% int rate incr	Loss (Opportunity cost) for 2% int rate incr	Assumptions
Total portfolio	100,000,000	-3,000,000	-6,000,000	average 3 year duration for portfolio
Gross Loans	50,000,000	-2,000,000	-4,000,000	average 4 year duration for loan book
Member funds	120,000,000	-600,000	-1,200,000	On call member deposits demand higher return
Reserves	30,000,000	0	0	
		-5,600,000	-11,200,000	

Source: Davy / Central bank Financial Conditions of Credit Unions .

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## ALM analysis – Some questions to consider...

Question	Answer	Discussion points
Are XXXCU funds “sticky”?	Yes	Business model. Historical empirical / academic evidence
Is the market environment changing?	Yes	Higher bond yields / money market funds
Irish deposit market landscape – is it becoming more competitive?	Yes	Overseas players impacting on wholesale rates. Domestic players will be forced <i>eventually</i> to pass on some of the increase to retail. Raisin website?
Do I have a CFP (Contingency Funding Plan) in place	Yes	Scenario analysis / stress tested cashflows
How much time do we have?	6 months?	
How much will it cost XXXCU to ensure our members are happy?	€x.xm to €x.xm depending on the stance adopted	Dividend / interest rebate / term deposit offering
Can XXXCU afford this level of cost of funds?	Yes, but...	Expected surplus covers additional cost but eliminates a large proportion of expected profits

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## Key points to remember from today

- Credit Union is an “investment trust” with a savings and loans business tagged on?
- Lending is still the best investment you can make.
- In built mismatches in the Credit Union business model.
- Liquidity Management is a key part of your role.
- Member deposit base has historically been very sticky.
- Current challenges to this include Revolut and Simon Harris.
- Investment Universe is very constrained but offers average return of 3% (and rising).
- Will this be sufficient to keep ahead of inflation?
- Stick with quality, “belly of the curve” offers best value in our view.
- Euro sovereigns and supra’s are most attractive currently, reward for risk.
- EU deposit harmonisation has significant implications for CU investments



Section 4

# Appendices



# Economic Forecasts

	Real GDP		Inflation YoY		Unemployment		Deficit		Debt/GDP	Interest Rate		
	2025	2026	2025	2026	2025	2026	2025	2026	Latest Reported	2025	2026	
<b>Benchmark Sovereigns</b>												
U.S.A.	2.2%	2.3%	2.7%	3.0%	4.3%	4.5%	-6.0%	-6.2%	114.8%	3.8%	3.37%	
Japan	1.2%	0.8%	3.2%	2.0%	2.5%	2.5%	-2.0%	-2.8%	215.9%	0.7%	1.09%	
U.K.	1.4%	0.9%	3.4%	2.7%	4.8%	5.3%	-4.5%	-3.8%	101.0%	3.8%	3.42%	
Eurozone	1.5%	1.1%	2.1%	2.2%	6.4%	6.2%	-3.2%	-3.3%	87.1%	4.0%	2.15%	
Germany	0.3%	1.0%	2.2%	2.2%	6.3%	6.3%	-2.4%	-3.6%	63.0%	4.0%	2.15%	
France	0.9%	1.0%	0.9%	1.5%	7.6%	7.8%	-5.4%	-5.2%	117.7%	4.0%	2.15%	
Italy	0.7%	0.8%	1.7%	2.0%	6.1%	5.8%	-3.0%	-2.9%	137.8%	4.0%	2.15%	
Spain	2.9%	0.8%	2.7%	2.4%	10.6%	5.8%	-2.7%	-2.9%	103.2%	4.0%	2.15%	
Ireland	13.3%	1.3%	2.0%	2.0%	4.7%	4.7%	1.2%	0.9%	32.8%	4.0%	2.15%	
<b>Emerging Market Sovereigns</b>												
China	5.0%	5.0%	0.2%	0.0%	5.1%	5.1%	-7.4%	-8.5%	47.0%	2.5%	N/A	
India	7.8%	6.4%	4.8%	4.6%	N/a	N/a	-5.8%	-4.8%	46.5%	6.5%	5.25%	
Russia	3.7%	0.9%	8.4%	8.8%	2.5%	2.2%	-1.7%	-2.6%	18.5%	15.5%	15.92%	
Brazil	3.4%	2.3%	4.4%	5.0%	6.8%	6.0%	-8.1%	-8.4%	83.0%	11.8%	15.00%	

Source: Bloomberg Economic Surveys

Update: 31/03/2026; YoY = Year-on-year; GDP: Gross Domestic Product

**Warning: Forecasts are not a reliable indicator of future results.**

# Market Data

Total Return (%)	2021	2022	2023	2024	2025
<b>Equity Indices (local currency)</b>					
MSCI All Country Local	20.9	-16.0	21.6	20.2	19.7
MSCI World Local	24.2	-16.0	23.1	21.0	18.4
MSCI Emerging Markets Local	-0.2	-15.5	9.9	13.1	31.3
MSCI World Small Cap	15.8	-18.8	15.8	8.2	19.9
MSCI World Growth	23.6	-27.5	36.2	28.4	18.6
MSCI World Value	24.2	-4.0	11.0	13.7	18.1
S&P 500	28.7	-18.1	26.3	25.5	18.2
S&P 500 Equal Weight	29.6	-11.4	13.9	12.8	12.6
S&P 600	26.8	-16.1	16.1	8.5	7.5
MSCI USA	26.5	-19.8	26.5	24.6	17.3
MSCI Eurozone	23.6	-11.8	21.0	8.9	22.4
MSCI UK	19.6	7.1	7.7	9.5	25.8
MSCI Ireland	16.7	-21.4	20.2	21.6	38.6
MSCI Japan	13.4	-4.5	28.6	20.7	24.3
MSCI Germany	13.3	-17.3	18.8	17.6	20.2
MSCI Hong Kong	-3.4	-4.6	-14.7	-0.4	35.1
MSCI China A Share	0.9	-20.2	-9.9	19.0	24.4
MSCI USA Small Cap	19.1	-17.6	17.9	11.6	11.6
MSCI UK Small Cap	14.5	-22.4	9.8	6.8	16.1
MSCI China	-22.4	-23.5	-13.2	15.7	28.3
MSCI World REITs	36.0	-25.9	10.1	8.9	3.4

Update: 31/12/2025. Source: Bloomberg

Total Return (%)	2021	2022	2023	2024	2025
<b>Global Equity Sectors</b>					
MSCI World Energy	42.0	51.5	1.2	5.0	10.3
MSCI World Materials	19.8	-6.4	13.2	-1.6	20.2
MSCI World Industrials	20.5	-9.4	22.9	16.8	20.6
MSCI World Consumer Disc	20.9	-31.7	34.9	24.1	6.4
MSCI World Consumer Staples	15.6	-3.0	0.8	8.0	5.6
MSCI World Health Care	21.9	-3.5	2.8	3.0	11.7
MSCI World Financials	30.4	-7.1	15.2	30.1	24.6
MSCI World Info Tech	31.2	-30.1	53.3	33.9	22.6
MSCI World Comms Services	15.8	-35.9	45.7	35.3	31.0
MSCI World Utilities	12.3	-2.2	-0.8	15.3	20.9

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# Market Data

Government Bond Yields (%)	2021	2022	2023	2024	2025
US 10 Year	1.5	3.9	3.9	4.6	4.2
US 2 Year	0.7	4.4	4.2	4.2	3.5
German 10 Year	-0.2	2.6	2.0	2.4	2.9
German 2 Year	-0.6	2.8	2.4	2.1	2.1
UK 10 Year	1.0	3.7	3.5	4.6	4.5
UK 2 Year	0.7	3.6	4.0	4.4	3.7
Ireland 10 Year	0.3	3.1	2.4	2.6	3.0
Italy 10 Year	1.2	4.7	3.7	3.5	3.6
Spain 10 Year	0.6	3.7	3.0	3.1	3.3
France 10 Year	0.2	3.1	2.6	3.2	3.6
Portugal 10 Year	0.5	3.6	2.7	2.8	3.2
Japan 10 Year	0.1	0.4	0.6	1.1	2.1

Currencies (Spot Rate)	2021	2022	2023	2024	2025
EUR-USD	1.1	1.1	1.1	1.04	1.17
EUR-GBP	0.8	0.9	0.9	0.83	0.87
GBP-USD	1.4	1.2	1.3	1.25	1.35
GBP-EUR	1.2	1.1	1.2	1.21	1.15
EUR-JPY	130.9	140.4	155.7	162.78	184.01

Total Return (%)	2021	2022	2023	2024	2025
EUR Government Bonds	-3.4	-18.2	7.1	2.0	0.7
EUR Corporate Bonds	-1.0	-13.6	8.2	4.7	3.0
UK Government Bonds	-5.2	-25.1	3.5	-4.0	5.0
UK Corporate Bonds	-1.5	-15.4	9.1	3.7	7.3
US Treasury Bonds	-2.3	-12.5	4.1	0.6	6.3
US Corporate Bonds	-1.0	-15.8	8.5	3.7	7.8
Global Aggregate (EUR-hedged)	-2.2	-13.3	4.7	1.7	2.7
Global Aggregate (GBP-hedged)	-1.5	-12.2	6.2	3.0	4.8

Commodities	2021	2022	2023	2024	2025
Bloomberg Commodity Index	27.1	16.1	-7.9	5.4	15.8
Gold	-4.3	-0.7	12.8	26.6	62.5
Silver	-12.3	2.6	-0.3	20.6	138.6
Brent Crude Oil	63.0	36.5	-0.6	10.4	-6.3
Copper	26.0	-11.2	5.9	1.9	47.5

Update: 31/12/2025. Source: Bloomberg

**Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. These products may be affected by changes in currency exchange rates.**

# Risks

**No Assurance of Investment Return:** There is no guarantee that the investments discussed in this presentation will achieve results comparable to those achieved in the past, that targeted performance will be met or that capital will be returned to investors. Neither past experience nor the current situation are necessarily accurate guides to the future. The value of the investment can go down as well as up and the return upon the investment will therefore necessarily be variable. Investors should determine whether an investment is appropriate to their personal circumstances.

Individual shares and stock markets can be volatile, especially in the short-term. Some shares are likely to be more volatile than others. This will be based, among other things, on the business, geographic location and size of the company. Potential investors should be familiar with any company they plan to invest in. Share portfolios are at a greater risk of significant loss if there is a lack of diversity i.e. an over-reliance on stocks in one particular company, industry sector or country. The liquidity of shares is a critical factor, this refers to your ability to realise shares when you so wish. Shares in companies that are not traded frequently can be very difficult to sell. Many shares that are traded on Stock Exchanges are bought and sold infrequently and finding a buyer may not always be easy. The value of shares may fall as well as rise, when investing in shares there is a risk that you may lose some or all of your original investment.

**Suitability:** The investments discussed in this presentation, particularly equities, may involve a high degree of risk and may not be suitable for all investors. Each potential investor must determine the suitability of the investment in light of his/her/its own circumstances.

**Liquidity:** Liquidity risk is the risk that an asset cannot be traded because there is no market for it at an acceptable price. Investors should be prepared to bear the risks of holding the investments discussed in this presentation for the medium to long term. An illiquid market may have an adverse impact on the price at which an investment can be sold in any market and investors may receive substantially less than their original purchase price.

**Currency Risk:** An investment may be exposed to currency exchange risk. Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of an investment to diminish or increase. Changes in exchange rates may have an adverse effect on the value price or income of the investment.

**Emerging Market Risk:** Emerging markets with emerging economies or stock markets may lack the social, political, economic and regulatory stability characteristic of more developed countries. As a result the risks from investing in those countries may be heightened. In addition, unanticipated political or social developments may affect the values of an investment in those countries and the availability of additional investments in those countries.

**Inflation Risk:** Inflation risk is the erosion of value in real terms that occurs during a general increase in prices and corresponding fall in the purchasing power of money during inflationary times. Inflation will impact on the real return of the investments discussed in this presentation.

**Credit/Issuer Risk:** The value of an investment may be adversely affected if it is exposed to an institution which suffers insolvency or other financial difficulties (default).

**Economic, Social & Political Risk:** An investment in regions or countries that are considered to be developing markets may be subject to potentially higher economic, social and political risk than investments in developed countries.

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