Asset Liability Management Report

3Q 2026

Performance Indicators and Key Measures

Cash, Investment and Debt Balances – Book Value ($M)

Restricted Cash and Investments	822.2
Unrestricted Cash and Investments	8,498.8
Total Cash and Investments	**9,321.0**

Total Outstanding Debt – Par Value	**5,688.6**

INVESTMENT PERFORMANCE	INTEREST RATE RISK	CREDIT RISK	LIQUIDITY RISK
Above Average	Low	Low	Low
Prior quarter: Above Average	Prior quarter: Low	Prior quarter: Low	Prior quarter: Low
Interest earnings exceeded budget for Q3 2026.	The current long-term rate for tax exempt bonds and blended rate for outstanding debts are below the assumed borrowing rate in the financial plan.	Agency is well diversified against counterparty credit risk. Investment portfolios are within policy parameters.	Agency cash and investment balances are sufficient to meet all known funding and reserve requirements.
Key Measures	**Key Measures**	**Key Measures**	**Key Measures**
YTD Interest income of $253.1M was $57.9M above original budget of $195.2M and $6.7M above forecast. Note, excludes unrealized gains and losses.	The blended ST interest cost is 2.31%. The current assumed rate in the financial plan is 5.0%.	All investment portfolios are in compliance with policy limits. Credit risk exposure is low.	All reserves are fully funded to date.
Book yield for the unrestricted ST investment portfolio is 3.95%.	The blended investment yield is 3.94%.	There were no credit rating actions that negatively impacted the investment portfolio during the quarter.	Current liquidity meets policy requirement.

3Q 2026 ALM Overview

Key Items

The investment portfolio remains conservatively positioned and has weathered the market volatility well. The portfolio continues to selectively add high-quality municipal, agency, and corporate securities when the market provides an attractive entry point. A key focus continues to be maintaining liquidity in support of the plan. Sound Transit continuously monitors the markets and seeks opportunities to decrease costs and create financial capacity. Actions are proposed if they are financially beneficial to the agency and its program as a whole.

The Agency drew the full remaining balance on available federal loans on September 15, 2026 ($233 million) All currently negotiated TIFIA and RRIF loans have now been fully drawn. The Agency doesn't anticipate additional TIFIA/RRIF loans through the end of 2027.

Market Environment - Investments

During Q3 the yield curve steepened modestly in the front-to-intermediate sector. The 5-year Treasury yield rose more than the 2-year yield, widening the 2 to 5 spread as investors priced in firmer medium-term growth and inflation expectations.

The Federal Reserve raised the Fed funds target range by 25 basis points to 3.75%–4.00% in September, but the path forward remains uncertain. Analyst forecasts generally anticipate rates declining over time, while fed funds futures imply a higher-for-longer policy path. Inflation and labor-market data, along with Treasury issuance concerns, remain important factors influencing yields and market volatility.

Current Borrowing Rates

Staff regularly reviews the portfolio investment returns and cost of debt. Currently, the portfolio only has fixed rate debt. Variable rate debt has historically had a low cost of funds for the Agency and staff anticipates utilizing variable rate debt instruments again in future borrowings.

Estimated current market rates are:

- 30 year fixed is 5.25%
- Variable is 2.90% (Q3 SIFMA avg of 2.49% + LOC cost of .35% + Remarketing Fee of .06%)
- TIFIA 5.58% (not an all-in borrowing rate; does not include associated costs)

Cash, Investment and Debt Balances
ALM Position ($M)

Balance and Duration	Value ($M)	Interest Rate	Duration/Avg. Life (Year)	Benchmark Duration (Year)
Assets (Cash/Investments)				
Restricted	822.2	3.79%	1.47	NA
Unrestricted	8,498.8	3.95%	1.14	1.04
Assets (Cash/Investments) total	9,321.0	3.94%	1.17	
Liabilities (Debt)				
Fixed-Rate	(5,688.6)	2.31%		
Variable-Rate				
Liabilities (Debt) total	(5,688.6)	2.31%	19.08	19.23

Investment Strategy

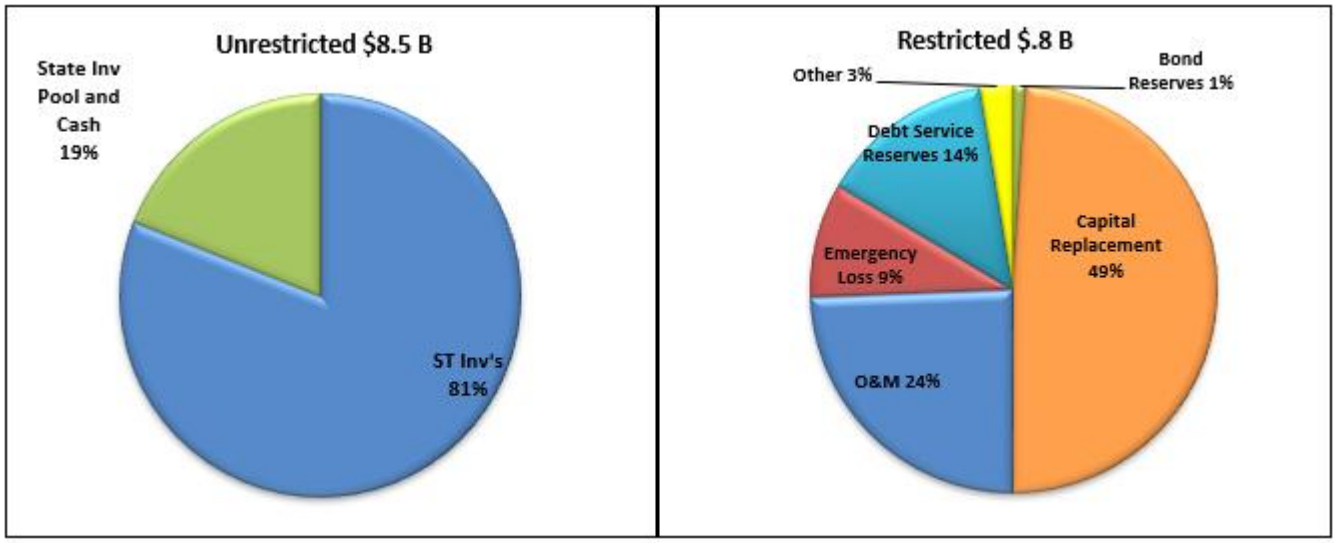
The investment portfolios are tactically invested to manage cash flows and duration to navigate the portfolio through the volatile markets. US Treasury securities are being overweighted due to the relative valuations. The Agency continues to prioritize liquidity to provide flexibility to the realigned plan.

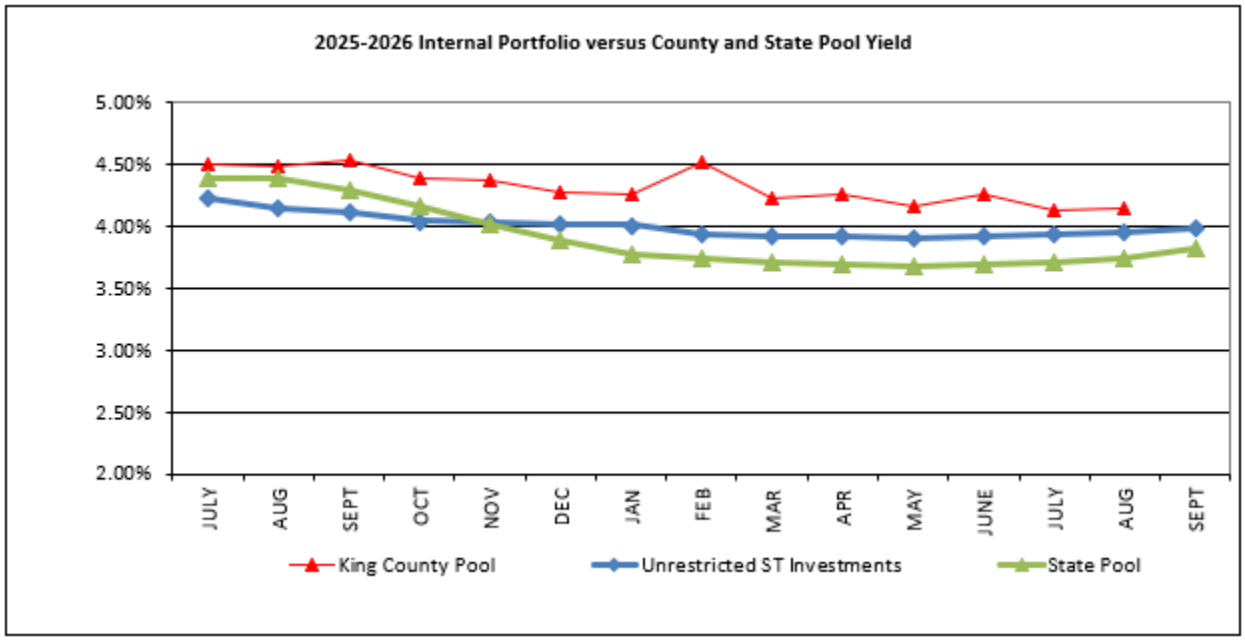
Cash and Investments ($M)	Book Value	Average Duration	Benchmark Duration	Current Yield	Qtrly Yield Change
Unrestricted					
State Investment Pool	1,618.3	0.01		3.83%	0.13
King County Investment Pool	4.9	1.28		4.14%	(0.12)
ST Internal Investments	6,875.6	1.40		3.99%	0.07
Total Unrestricted	8,498.8	1.14	1.04	3.95%	0.07
Restricted					
Operating/Contingency (internal)	200.4	0.01		3.82%	0.13
Capital Replacement (internal)	403.5	2.96	2.83	3.85%	0.17
Emergency Loss Reserve (internal)	75.0	0.01		3.82%	0.13
Debt Service Accounts	114.0	0.01		3.82%	0.13
BNSF Escrow	8.0	0.01		0.15%	0.00
OCIP Collateral	0.7	1.06		3.60%	0.04
Link Risk Fund	0.6	1.28		4.14%	(0.06)
Prior Debt Service Reserve	8.3	1.08	3.13	4.46%	(0.21)
Zurich Collateral	0.3	0.01		0.24%	0.00
First Hawaiian Collateral	4.0	0.01		0.46%	0.00
FTA Grant Recovery	7.5	0.01		3.82%	0.13
Total Restricted	822.2	1.47	N/A*	3.79%	0.14
Total	**9,321.0**	**1.17**		**3.94%**	**0.08**

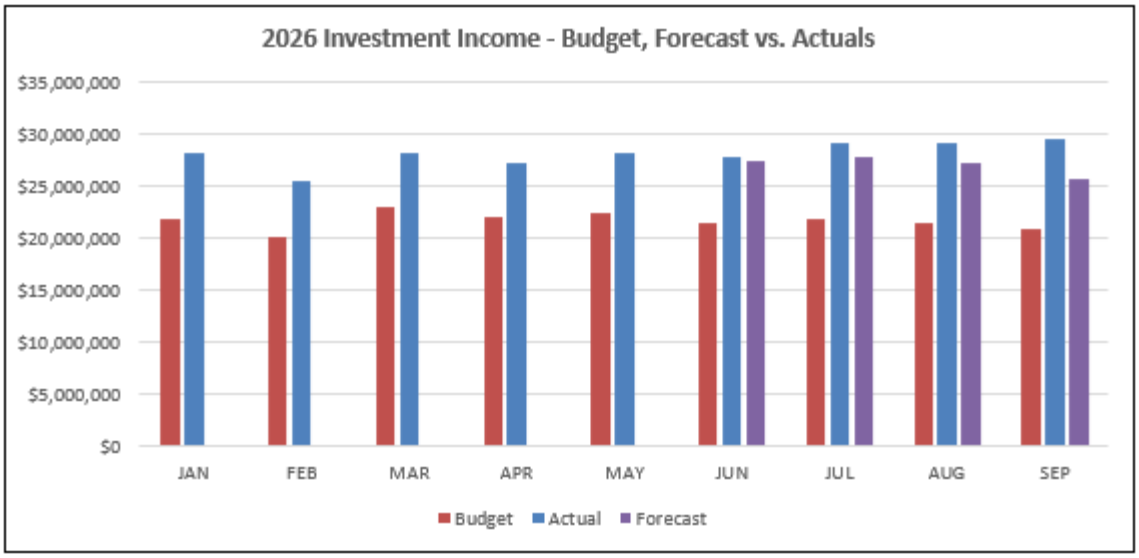
*Restricted benchmarks are based upon projected cash flow needs. Calculating a "total" benchmark duration for restricted investments is not applicable

Q3 2026 Investment Overview

Investment Performance Portfolio Composition







Asset Allocation Compliance

Asset Class	$ Par Value	Percentage Allocation	Policy Limit
U.S. Treasuries	6,395,255,000	68.25%	100%
U.S. Government Agencies-Primary	369,235,000	3.94%	75%
U.S. Government Agencies-Secondary	22,400,000	0.24%	10%
Certificates of Deposit		0.00%	20%
Supranationals	112,400,000	1.20%	10%
Corporate Notes	412,284,000	4.40%	25%
King County Investment Pool	5,478,501	0.06%	50%
State Investment Pool	2,016,385,764	21.52%	100%
Commerical Paper	0	0.00%	25%
Taxable Municipal/G.O. Bonds	36,690,000	0.39%	20%
PDPC Deposits	0	0.00%	20%
	9,370,128,265	**100.00%**	

3Q 2026 Debt Overview

Debt Strategy

Sound Transit considers the diversification of its long-term liabilities in the context of its future borrowing needs. The Agency utilizes various financial instruments to fund the long-range financial plan. The Agency continues to act in response to Board's direction to seek opportunities to reduce cost and expand financial capacity.

Debt Summary

- The 20-year MMD ended the Q3 quarter at 4.86% 108 basis points higher than the June 30, 2026 rate of 3.78%.
- The Q3 2026 spread between the 20-year AAA MMD and the 20-year A MMD was 33 basis points as of 9/30/26, which is unchanged compared to the spread measured on 6/30/26.

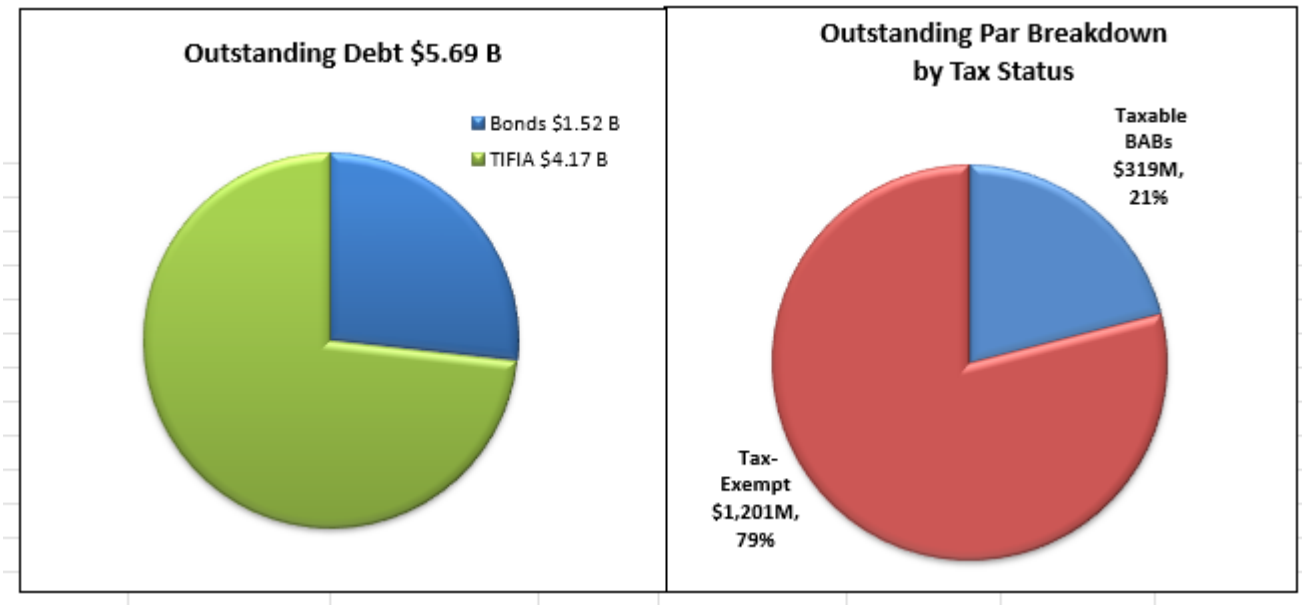
Central Puget Sound Regional Transit Authority
Summary of Outstanding Bonds

Prior Bonds Series	Issue Date	Final Maturity	Issue Size	Amount Outstanding	All-in Int Cost
1999	1/6/1999	2/1/2028	$350,000,000	$65,950,000	5.03%
2009P-2T (BABs)	9/29/2009	2/1/2028	$76,845,000	$19,335,000	3.36%
Total Prior Bonds			$426,845,000	$85,285,000	4.65%
Parity Bonds Series	**Issue Date**	**Final Maturity**	**Issue Size**	**Amount Outstanding**	**All-in Int Cost**
2009S-2T (BABs)	9/29/2009	11/1/2039	$300,000,000	$300,000,000	3.66%
2016S-1	12/19/2016	11/1/2046	$400,000,000	$130,455,000	3.60%
2021S-1	11/4/2021	11/1/2050	$869,360,000	$797,535,000	2.31%
2026S-1	8/12/2026	11/1/2041	$207,395,000	$207,395,000	3.74%
Total Parity Bonds			$1,776,755,000	$1,435,385,000	2.91%
Total Prior & Parity Bonds			**$1,776,755,000**	**$1,520,670,000**	**3.01%**

Central Puget Sound Regional Transit Authority
Summary of Outstanding TIFIA Loans

	Execution Date	Final Maturity	Loan Amount	Amount Drawn	Int Rate
TIFIA Loan					
East Link	9/10/2021	11/1/2058	$1,330,000,000	$1,330,000,000	1.91%
Northgate	9/10/2021	11/1/2056	$615,267,000	$615,267,000	1.91%
O&M Facility East	9/10/2021	11/1/2055	$87,663,515	$87,663,515	1.91%
Lynnwood Link	9/10/2021	11/1/2059	$657,863,164	$657,863,164	1.91%
Redmond	9/10/2021	11/1/2059	$520,981,378	$520,981,378	1.91%
Federal Way	9/10/2021	11/1/2059	$629,472,431	$629,472,431	1.91%
HTLE Project	5/2/2023	5/1/2058	$93,306,180	$93,306,180	3.79%
NE 130th Street Inf	5/2/2023	5/1/2061	$79,250,877	$79,250,877	3.79%
RRIF Loan					
Sounder Access	5/2/2023	11/1/2061	$154,152,530	$154,152,530	3.79%
Total TIFIA Loans			**$4,167,957,075**	**$4,167,957,075**	**2.06%**
Total Outstanding Debt				**$5,688,627,075**	**2.31%**

Debt Portfolio Composition



The credit rating agencies actively monitor the transit sector. The investment balances and liquidity available via undrawn TIFIA loans provide Sound Transit with flexibility and are viewed very positively by the credit rating agencies. Sound Transit maintains a sector leading level of credit quality.

Bond Ratings as of 09/30/2026			
	Prior	Parity	TIFIA
Moody's	Aaa	Aa1	
S&P	AAA	AAA	AA+
Fitch	AAA	AAA	AAA

Asset Liability Management Report
Key for Performance Summary

	Above Average	Average	Below Average
INVESTMENT PERFORMANCE	Interest earnings forecast to exceed budget.	Interest earnings forecast to meet budget.	Interest earnings forecast to be below budget.

	Low	Medium	High
INTEREST RATE RISK	Change in interest rates will have less than $5M impact on ST financial plan over 5-year period.	Change in interest rates will have less than $10M impact on ST financial plan over 5-year period.	Change in interest rates will have less than $20M impact on ST financial plan over 5-year period.
LIQUIDITY RISK	All reserves and liquidity contingencies in place. Current liquidity contingency greater than policy minimum.	All reserves and liquidity contingencies in place. Current liquidity contingency equal to policy minimum.	Not all reserves and liquidity contingencies in place.
CREDIT RISK	No known credit risks that could materially impact ST balance sheet.	Known credit risks could potentially materially impact ST balance sheet.	Known credit risks are likely to materially impact ST balance sheet.

Glossary of Debt and Investment Terms

Basis Point – The smallest measure used in quoting yields on bonds and notes. One basis point is 0.01% of yield. For example, a bond's yield that changed from 3.50% to 3.00% would be said to have moved 50 basis points.

Benchmark - A bond whose terms are used for comparison with other bonds of similar maturity. The global financial market typically looks to U.S Treasury securities as benchmarks.

BNSF Escrow – Collateral pursuant to the Sound Transit / Amtrak / BNSF lease-sub-lease dated September 2000.

Book Value – The amount at which an asset is carried on the books of the owner. The book value of an asset does not necessarily have a significant relationship to the market value of the security.

Duration - The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates.

Federal Funds Rate – The rate of interest at which Federal Funds are traded between banks. Federal Funds are excess reserves held by banks that desire to invest or lend them to banks needing reserves. The particular rate is heavily influenced through the open market operations of the Federal Reserve Board. Also referred to as the "Fed Funds rate."

General Obligation Bond (GO) - A municipal bond secured by the pledge of the issuer's full faith and credit, and backed by their taxing authority.

Link Risk Fund – Funded by Sound Transit to pay certain claims related to the operation of Central Link.

Liquidity – The ease and speed with which an asset can be converted into cash without a substantial loss in value.

Local Government Investment Pool (LGIP) – The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment.

Market Price - For securities traded through an exchange, the last reported price at which a security was sold; for 4securities traded "over-the-counter," the current price of the security in the market.

Par Value – The nominal or face value of a debt security; that is, the value at maturity.

Performance - An investment's return (usually total return), compared to a benchmark that is comparable to the risk level or investment objectives of the investment.

SIFMA - The Securities Industry and Financial Markets Association Municipal Swap Index is a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations (VRDOs) with certain characteristics. The Index is calculated and published by Bloomberg.

TIFIA Loan – Transportation Infrastructure Finance and Innovation Act loan with the United States Department of Transportation, acting by and through the Federal Highway Administrator. TIFIA loans are used to complement other sources of debt, resulting in a lower cost of funding than would be available in the capital markets.

Total Return - Investment performance measure over a stated time period which includes coupon interest, interest on interest, and any realized and unrealized gains or losses.

OCIP Collateral – Pledged collateral for the Owner Controlled Insurance Program for University Link and Northgate Link.