

Supporting Credit Union Success

REPORT TO THE MEMBERSHIP

2019 in Review



Transactions

A world of
technology solutions



Liquidity

Multiple sources
of funding



Investments

Advice, investments
and solutions



Through the power of cooperation, Alloya continues to support credit union success and deliver significant value to the membership.

In my opinion, 2019 represents the strongest year of performance in Alloya's eight-year history as the corporate remains a top tier employer of choice, received its highest ever member survey score, paid \$50 million of cash dividends to members, earned \$23 million of net income and remained in compliance with all rules and regulations.

Thanks to continued credit union support, Alloya remains #1 in terms of membership as the decade comes to a close. Before providing additional details regarding 2019 performance, I wanted to take this opportunity to reflect on a few highlights from the past 10 years as we commence a new decade.



John Fiore

2010 – The U.S. was in the middle of a severe financial crisis as home values fell 30% and unemployment neared 10%. Members United Corporate was in conservatorship and it was a time of economic fear and uncertainty for most of America. During this time of crisis, credit union leaders emerged and formed a Charter Advisory Group, chaired by John Fiore, to evaluate options. This group started with a blank sheet of paper and asked themselves what key services should be offered and how could a new corporate be viable given the new regulatory framework.

2011 – After much input, a business plan was created, a Private Placement Memorandum was

developed, \$70 million of



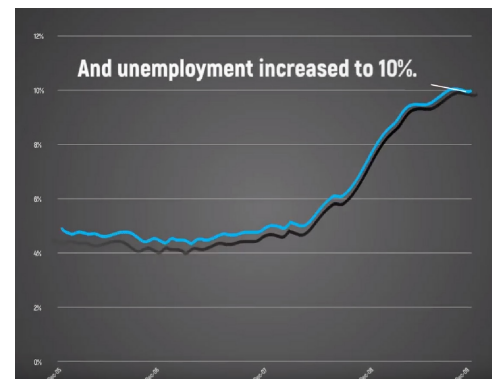
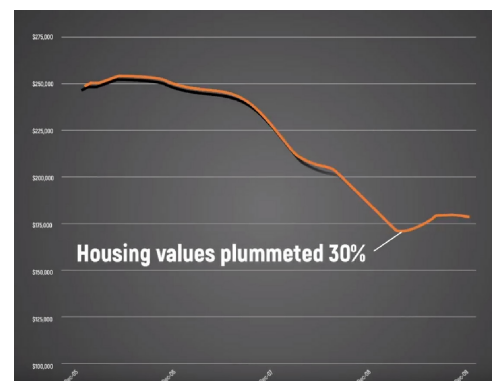
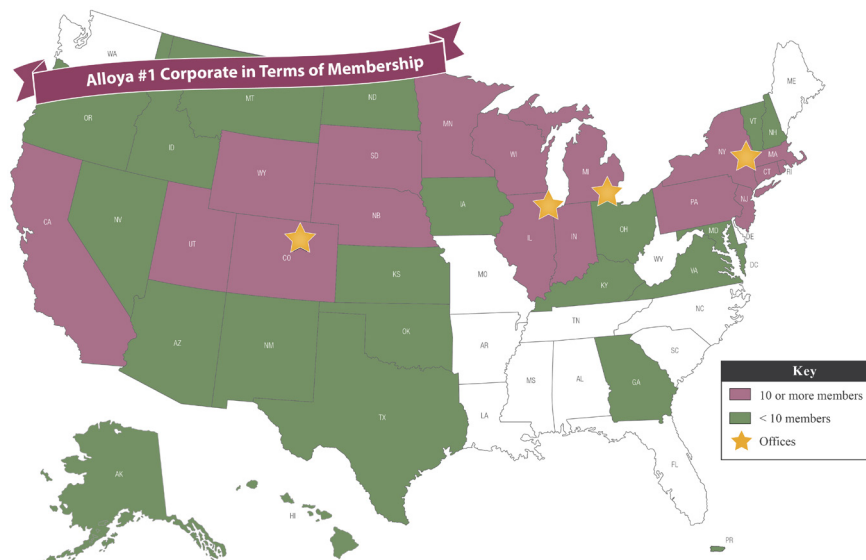
Corporate Federal Credit Union

new capital was raised and Alloya was formed as a newly chartered corporate credit union. In October 2011, Alloya acquired core staff, technologies, systems and capabilities from Members United Estate, and Amy Sink, CEO

of Interra Credit Union, served as Alloya's first Chairperson. The goal of the newly formed corporate was to provide a seamless transition and uninterrupted payment services to the 1,100 credit unions that supported Alloya's launch.



Amy Sink



Perpetual Contributed Capital Shares II of
ALLOYA CORPORATE FEDERAL CREDIT UNION

ID # 20-001

Pursuant to this Confidential Private Placement Memorandum ("Memorandum"), you are being offered Perpetual Contributed Capital Shares II ("Capital Shares") in Alloya Corporate Federal Credit Union, a federally-chartered, federally-insured corporate credit union ("Alloya").

Alloya is offering its Capital Shares at an offering price of \$1.00 per Capital Share, in additional increments of \$1.00. See "Description of Perpetual Contributed Capital Shares II" at page 35 of this Memorandum for additional information about the minimum amount of capital to be contributed by a particular investor. Credit Union members who qualify for membership in Alloya as defined in its Bylaws may invest in Capital Shares ("Membership Capital Holders"). Membership Capital Holders have full access to payment, technology, settlement, balance sheet, training and education programs, and advised lines of credit services at the published rates offered by Alloya. Alloya offers other forms of membership that do not require the purchase of Capital Shares. These forms of membership may have annual fees and higher prices than Membership Capital Holders as determined by the Board of Directors of Alloya (the "Board").

Investors will be able to subscribe for Capital Shares by executing and submitting to Alloya a completed Subscription Agreement. Credit union investors must be members of Alloya and need to complete a Master Membership Agreement ("MMA"), which may be approved by the Board or its designee. Alloya may, in its sole discretion, reject any MMA and/or subscription in whole or in part for any reason or no reason. If a MMA or subscription is rejected, the purchase price the investor paid will be returned to such investor promptly and in no event later than (1) ten (10) Business Days (as defined herein) after receipt of the fully completed Subscription Agreement or (2) rejection of the investor's MMA by the Board or its designee. If a fully completed MMA and Subscription Agreement are accepted by Alloya, then the subscription funds will be retained by Alloya and Capital Shares will be issued by the later of (1) ten (10) Business Days following acceptance of the Subscription Agreement by Alloya or (2) the approval of the MMA by the Board or its designee.

A capital investment in a financial cooperative is not designed to represent a good stand-alone risk/reward investment. There are risks and limited direct returns associated with purchasing the Capital Shares. The real benefit of capitalizing a financial cooperative is the value derived through pricing advantages and active participation in the services. A financial cooperative aggregates volumes and shares resources to offer services to its members that they would most likely not be able to individually support in a cost-effective manner.

An investment in the Capital Shares involves risks. See "Risk Factors" beginning on page 30 of this Memorandum to read about factors you should consider before making your investment decision.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE CAPITAL SHARES IN ANY STATE OR OTHER JURISDICTION TO ANY PERSON TO WHOM OR ANY ENTITY TO WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NO FEDERAL OR STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE CAPITAL SHARES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE CAPITAL SHARES ARE NOT INSURED OR GUARANTEED BY THE NATIONAL CREDIT UNION SHARE INSURANCE FUND ("NCUSIF") OR BY ANY OTHER SHARE OR DEPOSIT INSURANCE PROGRAM OR GOVERNMENT AGENCY.

THIS MEMORANDUM IS DATED JUNE 21, 2019.

C/Effective June 21, 2019

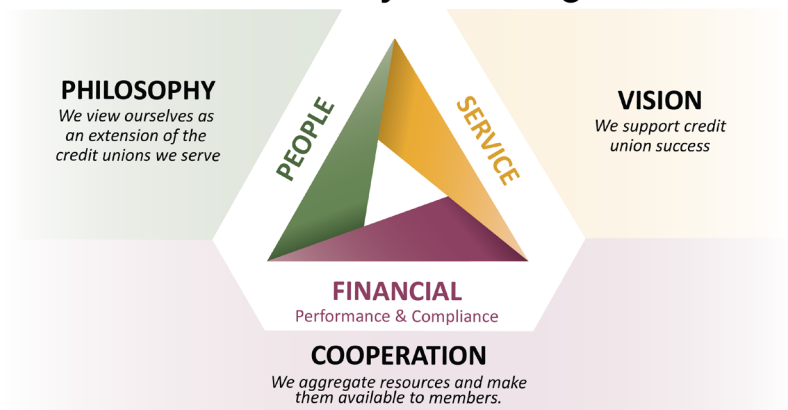
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Confidential

2012 – Alloya completed its first full year of operations and achieved profitability every month – a streak that has extended to the current day.

2013 – Three hundred CenCorp credit union members recognized the value offered by Alloya through its leading Premier View technology, additional liquidity solutions and high standards of member service. A merger was completed and Alloya's membership base grew to over 1,400 credit unions. These credit unions gained access to additional sources of liquidity, improved technology and additional services. Later in the year, I was named CEO of Alloya and a new strategic plan was approved with a focus on advancing People/Culture, Member Service and Financial Performance.

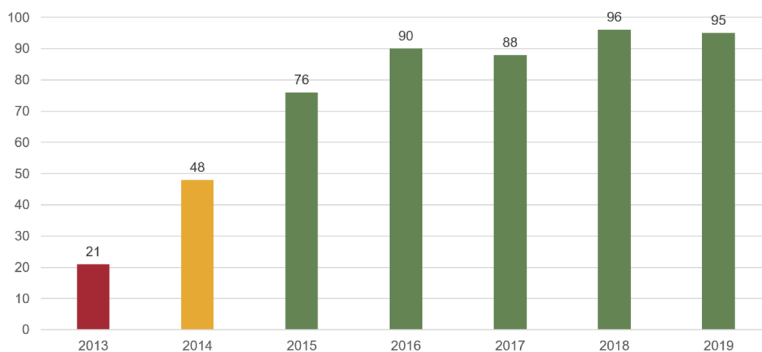
The Heart of Alloya's Strategic Plan



2014 – Alloya launched a multi-year plan to reduce office space costs while also standardizing the workspace across all its locations. Ultimately, Alloya was able to reduce office space by over 160,000 square feet (conservatively saving \$3.2 million annually) while also introducing a new workspace for its

team of professionals. Strategic focus was directed towards People/Culture as morale was low due to strains from the financial crisis, pressures associated with a merger and leadership changes. Over the next few years, a high-performing culture was formed and Alloya is now considered a top tier employer of choice.

Employee Engagement Scores



As measured by Gallup Q12 Employee Engagement Survey.

membership base to over 1,600 credit unions. These credit unions realized lower fees, higher dividends, lower loan rates, access to better technology and additional services. Also in 2015, Leanne McGuinness, CFO of The Summit FCU, assumed the role of Alloya's Board Chair.



Leanne McGuinness

2016 – Alloya's Board of Directors recognized the need for credit unions to own and control their own check processing solution. Alloya partnered with Catalyst Corporate to develop and support TranzCapture. This newly developed system was designed to ensure that credit unions have access to an efficient, capable check processing solution and are not reliant on vendors that raise prices, experience high staff turnover, and make minimal investments in their technologies.



2017 – This was a milestone year for Alloya as all merger integrations were completed. By the end of the year, all members were transitioned to Premier View, all check systems were converted to TranzCapture,

contracts were standardized, and every credit union received the same value proposition. Additionally, a new fee structure was implemented to ensure that all members receive the same value for the services offered. After 17 mergers over the past 20+ years, Alloya's construction was complete!

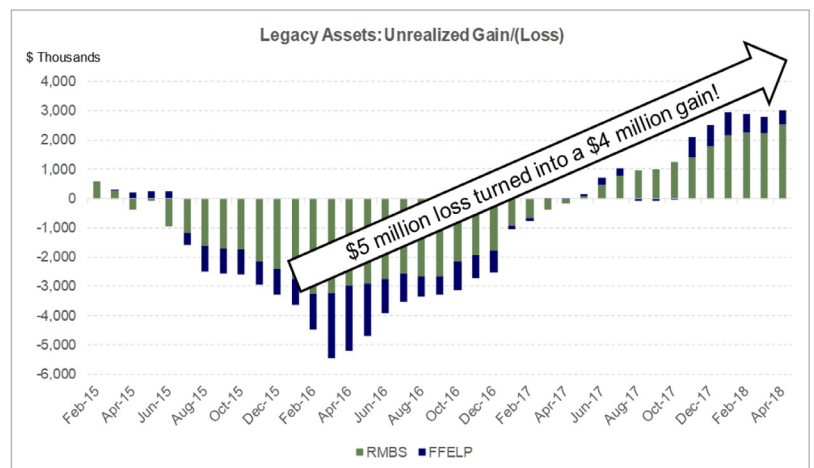
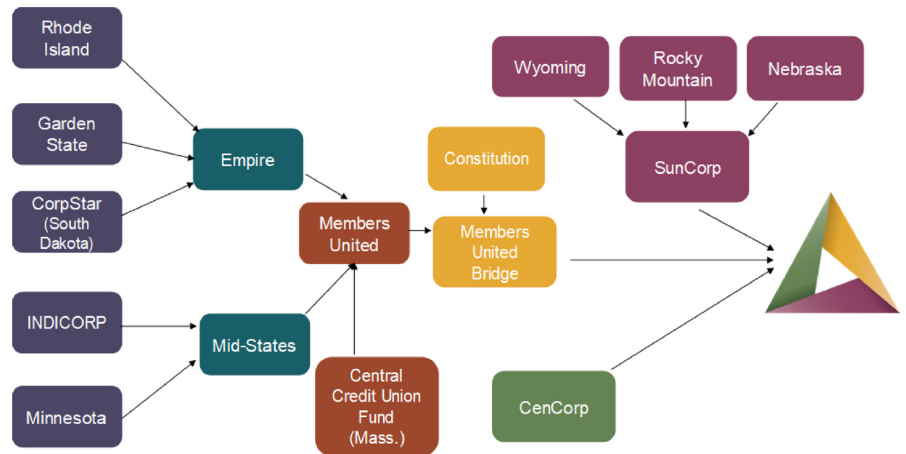


2018 – In 2018, Floyd Rummel, III, CEO of Northern Hills FCU, was elected Alloya's Board Chair. Alloya liquidated legacy investment assets that were acquired with the CenCorp and SunCorp mergers.

Just two years earlier, the assets were valued at an unrealized loss of approximately \$5.0 million. By exercising patience, Alloya was able to sell the assets for a gain in 2018. Alloya's balance sheet was made fully compliant and no longer required regulatory approval to manage those assets.

2019 – Now let's review a few specific highlights from what was one of Alloya's best years yet.

Organizational History 17 Legal Entities



2019 Highlights

1. Record Dividends

As short-term interest rates were rising from 2015 into early 2019, Alloya earned additional income, which we passed along to the membership in the form of dividends. In 2019, Alloya increased its annual PCC dividends by an estimated \$1.3 million and has planned to pay out \$5.4 million in 2020. Cash dividends paid on regular share and certificate accounts totaled \$45.7 million in 2019, as compared to \$33.2 million in 2018, \$20.3 million in 2017, \$8.6 million in 2016 and 4.1 million in 2015. This means members have received an increase of \$37.1 million of cash dividends in just three years.

This commitment to putting more cash in credit unions' pockets is a testament to how Alloya truly values its members, so they can continue to do great work in local communities across the country. The cooperative financial services business model remains strong, and the value of membership with Alloya remains even stronger.

Total Cash Dividends Paid



2. Premier Portfolio

Everything we do at Alloya is guided by the question, “What’s in the best interest of the credit unions we serve?” We strive to continuously create innovative solutions that streamline your credit union’s back-office. Throughout 2019, Alloya launched its new online investment management platform, Premier Portfolio. Premier Portfolio enables the investment decision-makers at your credit union to execute trades, access key documents and portfolio reports, view current holdings, and read ongoing market and economic developments – all from the convenience of an online portal.

Premier Portfolio took flight as more members began to realize new efficiencies through our online investment management platform and now nearly 20% of trades are completed electronically through Premier Portfolio. Rather than having to wait for an email, phone call or fax from an investment representative at the corporate, control was placed in the hands of credit union investment decision-makers.

3. Associate Membership Program

Given Alloya’s strong Leverage Capital Ratio of 9.9% and Tier I Risk Based Capital Ratio of 25.5% along with excess capacity within its systems, the Board of Directors elected to eliminate a barrier to business and approved a new Associate Membership program. Credit unions can now gain access to Alloya’s Premier View technology and a wide range of services – all without contributing capital. Credit unions are also able to obtain an affordable Advised Line of Credit through Alloya’s new Associate Membership option by paying a nominal annual credit review fee.

While the Advised and Supplemental Lines of Credit provide powerful liquidity solutions to the membership, these are not the sole solutions offered by the corporate. The SimpliCD Issuance program connects more than 3,500 credit unions to share liquidity. In 2019, nearly \$848 million was raised through the SimpliCD Issuance program.

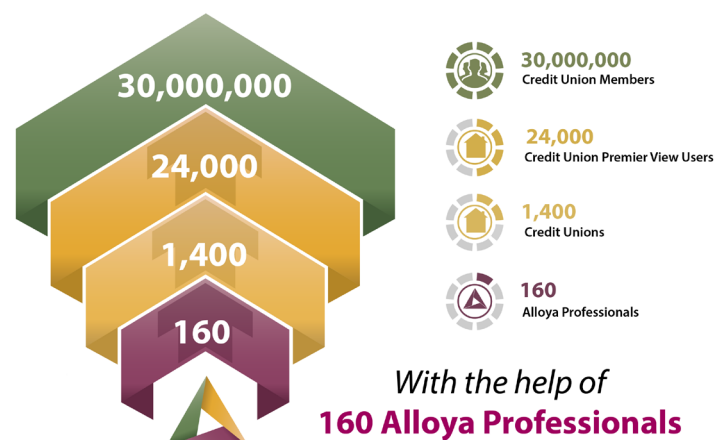
Lastly, Alloya’s Loan Participation program continued to grow with the number of deals more than doubling in 2019. The total dollar amount of loans exchanged through our program more than tripled to exceed \$323 million.

4. Record Member Survey Scores

Alloya is proud to deliver affordable products and services that grant credit unions a strategic advantage in the competitive global market; but it’s not just our products and services that drive this competitive advantage. Member service is a major point of differentiation at Alloya. Going above and beyond is our standard. Our people are credit union people. The 160 professionals that comprise our team at Alloya are passionate about supporting the 1,400 members we serve.

Each year, Alloya conducts an annual survey to assess how credit unions feel about their membership. In 2019, our member survey received the highest score we’ve ever achieved: a nearly 4.8 out of 5. We take

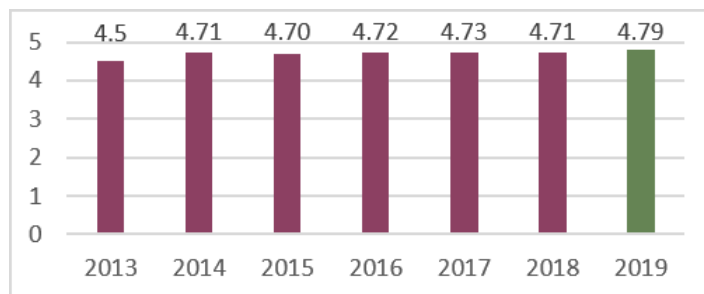
How can 1,400 Credit Unions support 30,000,000 Credit Union Members?



great pride in seeing that our tradition of unparalleled member service continued in 2019, and we look forward to continuing to provide even greater levels of service into 2020 and beyond.

5. Strategic Partnership with McQueen Financial Advisors

Alloya recognizes that our members' best interest sometimes means that we perform the service while in other instances we partner with a leading provider.



Leveraged our culture, followed our values and worked hard to help staff make a successful transition.



Improved credit union experience.

Access to additional services.

A seamless transition.

In February 2019, Alloya's wholly owned credit union service organization (CUSO), Balance Sheet Solutions, LLC, announced a strategic partnership with McQueen Financial Advisors, a SEC Registered Investment Advisory company that provides financial institutions with investment portfolio management services, asset liability management reporting, mortgage servicing rights valuations, merger valuations, transaction advisory services, CECL reporting and strategic consulting. Under this strategic partnership, McQueen Financial Advisors acquired Balance Sheet Solutions' investment advisory and asset liability management (ALM) services. With so many choices in the industry, we felt that a strategic partnership with McQueen Financial Advisors was the next best step to ensure that we continue to optimally meet Balance Sheet Solutions' investment advisory and ALM clients' needs.

6. Financial Performance and Compliance

- Net income of \$23 million, increasing members' equity to \$360.1 million
- \$3.6 billion in assets
- \$2.6 billion in Excess Balance Accounts
- \$985 million in cash and short-term investments
- Full compliance with all applicable rules and regulations

As we close the books on the success of 2019, we look forward to new success to come in 2020. Let's take a look at some highlights from the 2020 strategic plan as Alloya continues to advance its mission of supporting credit union success.

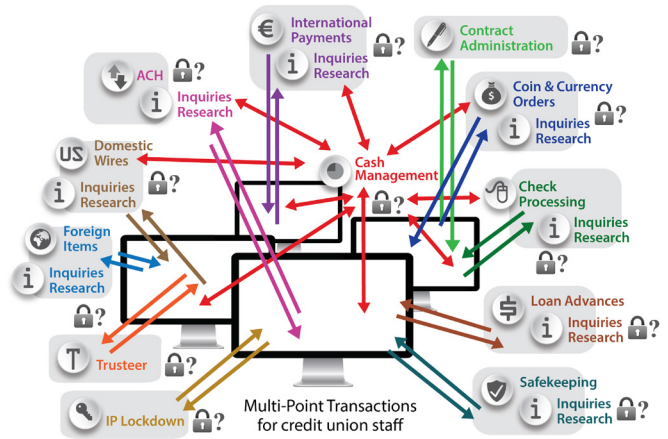
Looking Ahead to 2020

1. Modernized Premier View

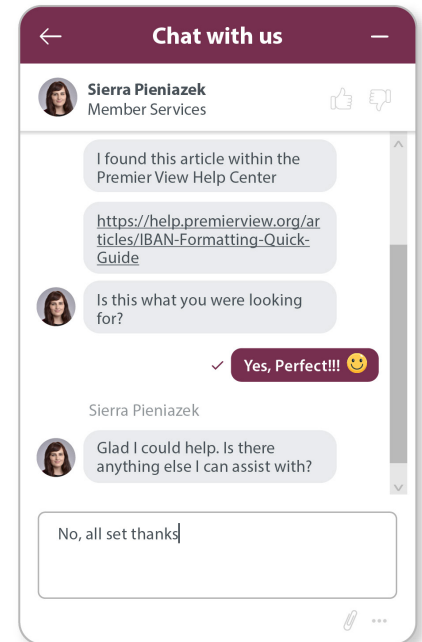
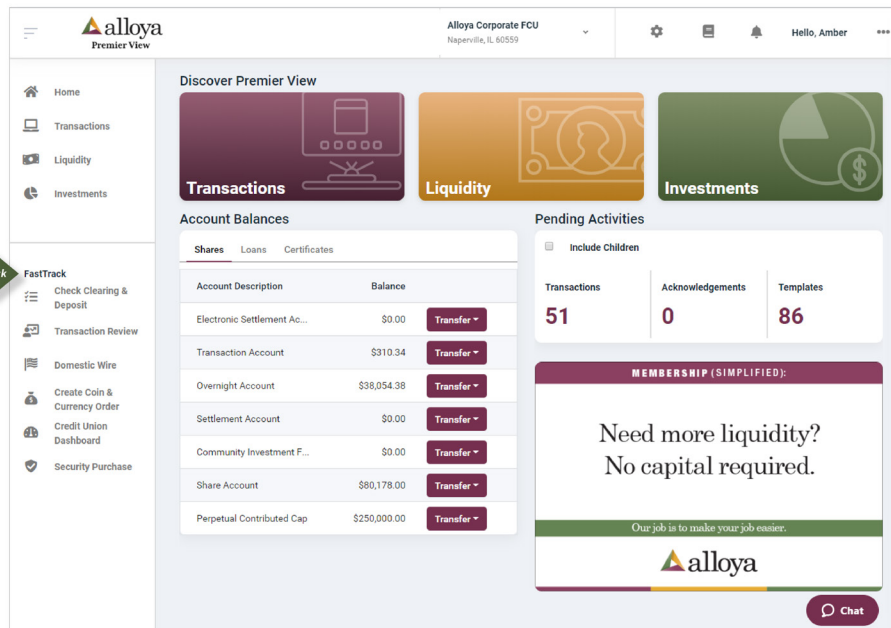
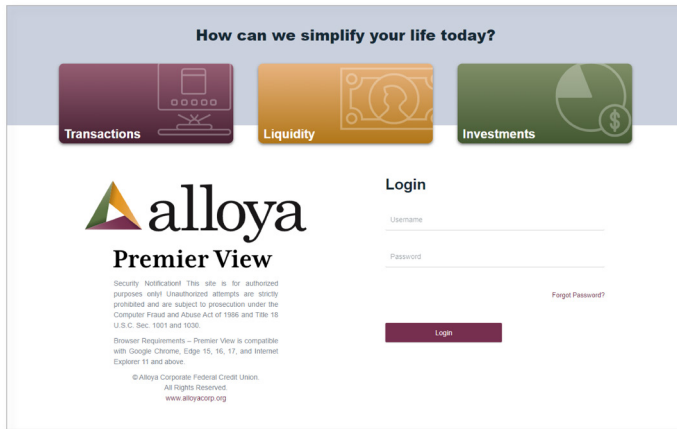
Fifteen years ago, Alloya set out to resolve the challenge so many credit unions face: executing dozens if not hundreds of transactions each day to deliver the services your members expect, meanwhile managing separate vendor relationship for each product or service. So we launched a one-stop transaction system that does it all: Premier View. Fifteen years later, Premier View continues to streamline your credit union's

back-office tasks so you can reposition your team for their highest, best purpose: serving your members.

In 2020, Alloya will improve the technology of Premier View so it better serves the membership now and into the future. A refreshed and modernized version of our one-stop transaction system – which over 24,000 credit union professionals use every day – will include new features such as a “FastTrack” that make it easier for users to access the functions they utilize most frequently. The FastTrack feature will be customizable, so each user can establish quick links to the tools they need. Our modernized Premier View will also feature an online chat that can provide answers to your questions from anywhere on the platform.



The new version of Premier View will also showcase the products and services you leverage at Alloya, while also displaying product and service opportunities for your consideration. Our vision is for this feature to help increase awareness about the numerous ways Alloya can help further simplify running your credit union.



2. Suze Orman Partnership

In 2020, Alloya is partnering with Suze Orman, America's Personal Finance Expert, to help advance the credit union movement! A relationship between Suze Orman and Alloya was first formed at our 2019 Credit Union Executive Leadership Symposium. Suze was our keynote speaker and it was instantly apparent that Suze's values were very much aligned with the credit union mission. Suze and credit unions both want to help people live their best financial lives. By working together, we believe more consumers will hear the powerful credit union story.

Alloya's mission is simple: to support credit union success. So when I heard Suze say that she would be interested in building a partnership with credit unions, I knew this would be a great opportunity for Alloya to continue living its mission.

In my 20+ years serving credit unions, I have never seen this much time, energy and resources directed to credit union awareness by so many parts of the credit union movement. Credit unions are the perfect home for consumer financial services, and we view this sponsorship as one way for Alloya to contribute and support that message. The credit union movement's future looks bright – and we need to continue to tell the story.

2020 will be an exciting year at Alloya, and we look forward to giving your membership even greater value with the launch of these new initiatives.



Concluding Comments

Alloya continues to represent an excellent example of the power of cooperation as 1,400 credit unions are sharing resources every day. Alloya is fortunate to be guided by a Board of Directors that are credit union leaders from throughout the country. This group of professionals volunteer their time to help Alloya's management team evolve the strategic plan and identify new ways to better serve the membership. The future looks bright and we have much to look forward to in the years ahead.

Alloya's success is 100% based on the support of its membership. On behalf of the Alloya team, thank you and best wishes for an outstanding 2020.

Sincerely,

Todd M. Adams
Chief Executive Officer

For financial and operational highlights, see next page.

Operational and Key Product Highlights

| Financial Highlights - as of 12/31/19 | |
|---------------------------------------|-----------|
| Net income | \$23 M |
| Retained earnings and other equity | \$114.3 M |
| Total GAAP equity | \$360.1 M |
| Total assets | \$3.6 B |

| Ratios - as of 12/31/19 | |
|--|-------|
| Retained earnings and other equity ratio | 3.23% |
| Regulatory capital ratio (<i>NCUA requirement of 4.0%</i>) | 9.89% |

| Key Product Highlights as of 12/31/19 | |
|---|---------------------|
| Advised Lines of Credit | \$9.9 B |
| Number of line advances | 10,818 |
| Total advances | \$6.3 B |
| Percentage of credit unions taking an advance | 55% (766) |
| Loan Participation Program | |
| Number of deals supported | 76 |
| Average participation | \$4.3 M |
| Dollar amount | \$323.6 M |
| Loan Participation Numbers in Aggregate | |
| Number of deals supported | 180 |
| Average participation | \$3.8 M |
| Total volume | \$694 M |
| Shares and certificates of deposit (<i>year end balances</i>) | \$3.2 B |
| EBA program (<i>year end balances</i>) | \$2.6 B |
| Checks processed | 155 M for \$125 B |
| Check Clearing Services | 95 M for \$65 B |
| Check Deposit Services | 60 M for \$60 B |
| ACH transactions | 165.8 M for \$181 B |
| Coin & Currency | |
| Coin & currency deliveries completed | 88,468 |
| Total coin & currency delivery value | \$11.5 B |
| Wires processed | 409,235 for \$86 B |

Operational and Key Product Highlights *(continued)*

| Key Product Highlights as of 12/31/19 <i>(continued)</i> | |
|--|----------------------------|
| Balance Sheet Solutions (now Alloya Investment Services*) | |
| Investment Accounting | |
| Number of credit unions | 115 |
| Number of investment positions | 11,000 |
| Par value of the positions | \$6.3 B |
| Marketable securities | gross par value of \$1.7 B |
| SimpliCD | |
| CD sales | \$1,420,260,500 |
| Funds raised through the CD issuance program | \$847,750,500 |

| Technology and Call Center Highlights | |
|--|--|
| Premier View | |
| Number of users with authorities in the system | 24,295 |
| Number of pages accessed each year | 38,718,514 |
| Line of code supported | 1,675,297 |
| Member Call Center | |
| Calls completed <i>(incoming & outgoing)</i> | 66,042 <i>(incoming)</i> ; 44,340 <i>(outgoing)</i> ; 110,382 <i>(total)</i> |
| Average wait time to answer | 3.27 seconds |
| Abandon rate | 0.10% |
| Responses to member emails <i>(per year)</i> | 9,219 |

| Premier View Transaction Totals | |
|--|-----------|
| Corporate ACH | 2,706,399 |
| Member Adjustments | 234,592 |
| Domestic Wire In | 189,170 |
| Domestic Wire Out | 188,120 |
| Share to Share Transfer | 113,167 |
| Coin and Currency | 88,643 |
| Member-to-Member In | 21,842 |
| Member-to-Member Out | 22,279 |
| Service Wire In | 22,720 |
| Service Wire Out | 9,800 |
| Share-to-Loan Transfer | 2,360 |
| Loan-to-Share Transfer | 6,908 |
| Cash Concentration Transfer | 2,300 |
| Corporate Wire Out | 1,969 |
| Security Purchase | 3,210 |
| Security Sale | 2,342 |
| Certificate Purchase <i>(regular)</i> | 352 |
| Certificate Purchase <i>(special)</i> | 1,533 |

Operational and Key Product Highlights *(continued)*

| Educational Outreach | |
|--|---|
| Strategic webinars | 12 with 525 attendees |
| Operations webinars | 178 with 878 attendees |
| Symposium attendees | 156 from 106 credit unions - 16 states |
| Roundtables (Alloya) | 2 events with 35 attendees from 26 credit unions |
| Garden State Summit | 45 attendees |
| Tradeshows | 24 |
| Speaking sessions | 39 <i>(includes our own hosted events with each of those events counted once)</i> |
| Focus groups | 1 event with 11 attendees |
| Economic & Investment Conference | 104 attendees with 52 credit unions |
| | |
| CPE credits | Available at 5 events; 31.5 total credits offered; 6.3 per event |
| | |
| Other | |
| Dollar amount Alloya saved its members in fraud loss | \$678,267.70 in potential fraud loss; \$1,037,861.45 in recoveries from other financial institutions |
| Number of fraud attempts caught | 78 outgoing fraud cases - found by Alloya's Compliance |

**Alloya Investment Services is a division of Alloya Solutions, LLC (a wholly owned CUSO of Alloya Corporate FCU). All broker-dealer transactions are facilitated through CU Investment Solutions, LLC (ISI), member FINRA/SIPC. SimpliCD is a product offered by Alloya Investment Services' partnership with Primary Financial.*



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