alloya®

Corporate Federal Credit Union

2022 Audited Financials

Report of the Chairman

I am pleased to report that Alloya continued to fulfill its mission to support credit union success in 2022. Early in the year, Alloya provided relief to credit unions with ties to Ukraine by waiving over $100,000 in wire fees. Alloya's decision to waive wire fees made it easier and more affordable for individuals to deliver financial support to loved ones abroad who were looking to move out of harm's way. Alloya also donated $50,000 to the Worldwide Foundation for Credit Unions to support its efforts to help credit unions in Ukraine.

As credit unions experienced tremendous liquidity volatility, Alloya upheld the corporate's long-standing tradition of providing dependable liquidity access. Throughout 2022, Alloya fulfilled over 15,000 line-of-credit advances, with loan balances reaching a record high at $1.3 billion. In addition, credit unions raised over $1.28 billion through Alloya's certificate issuance program. Also in 2022, Alloya completed the first-ever syndicated credit facility for a large CUSO and the first-ever subordinated debt secondary trade – effectively creating new markets that previously never existed. This exemplifies Alloya's dedication to supporting the unique needs of each credit union.

Alloya also paid a total of 17.25% in dividends in 2022. When the U.S. Central Asset Management Estate completed another partial distribution in March, Alloya responded by paying a special 5% dividend to Capital Members, amounting to $12.3 million. In September, upon the release of another distribution, Alloya paid another $24.6 million to Capital Members. These special distributions supplemented Alloya's $5.8 million paid in Perpetual Contributed Capital (PCC) dividends. In total, nearly $43 million in cash dividends on PCC were paid out to members. While Alloya had no legal obligation to make these distributions, it was an easy decision to further support credit union success. The cash dividends provide more resources to our member credit unions and the positive impact they can have in their communities.

While returning value to the membership, Alloya also fulfilled its long-range retained earnings goal that was set when the corporate launched over 11 years ago, while remaining compliant with all rules and regulations.

As we move boldly into 2023, Alloya's future remains bright and I am thankful for the opportunity to serve as the Chairman of the Board of Directors. Alongside my fellow directors, who generously volunteer their time and talents to Alloya, I look forward to continuing to serve and grow our corporate together.

On behalf of Alloya's Board of Directors, thank you for your continued support and engagement.

David B. Suvall
February 24, 2023

Report of the CEO

I am pleased to report that Alloya had another outstanding year of performance during 2022, while adjusting to a rapidly rising interest rate environment and increased liquidity needs of its member credit unions. To fight inflation, the Federal Reserve raised its short-term rates at a pace that has not been experienced since the early 1980s. Credit unions realized record loan growth in 2022 as natural-person members found great value. To fund loan growth, a record number of credit unions accessed their advised lines of credit during 2022, and Alloya met every demand while remaining well-positioned to meet future needs. When Alloya has a good year of performance, we can advance all three of our strategic goals: People and Culture, Member Service, and Financial Performance and Compliance.

People and Culture

While many organizations have suffered a “Great Resignation,” Alloya has experienced a “Great Retention” while remaining a top-tier employer of choice in 2022. The results of Alloya’s most recent employee engagement survey indicated the corporate ranks among the 85th percentile of U.S. organizations, which reflects the satisfaction and engagement of the Alloya team. While continuing to operate in a hybrid work model, our team of 170 professionals has remained committed to supporting our members’ ongoing success as we work as an extension of each credit union’s back office.

Member Service

Keeping with tradition, Alloya saw record scores in the results of the annual member survey, which reflect the efforts of the entire team who work together to support credit union success each day. We proudly deliver secure and convenient technology through Premier View to help credit union professionals accomplish their day-to-day responsibilities. In 2022, over 3.3 million transactions were performed by nearly 26,000 users through the system! However, when questions arise, our members can trust that our team will always answer the phone, often in four seconds or less. Pairing high-quality member service with high-quality technology is a differentiator for Alloya, and we look forward to continuing to deliver on that standard of service for many years to come.

Financial Performance and Compliance

During 2022, Alloya continued its streak of monthly profitability (dating back to its launch in 2011) and earned a record $35 million in core net income. During 2022, Alloya also realized its primary long-term capital accumulation goal with a retained earnings ratio of 4% and total retained earnings in excess of $290 million. Tier I capital, consisting of retained earnings and Perpetual Contributed Capital, exceeded $500 million at year-end and a total capital ratio of 8.5%. While pursuing its financial goals, Alloya has remained compliant with all applicable rules and regulations.

For more details on how Alloya supports credit union success, I encourage you to review this year’s *Report to the Membership*, available on Alloya’s website. On behalf of the Alloya team, thank you for your continued support.

Todd M. Adams
February 24, 2023

ALLOYA CORPORATE FEDERAL CREDIT UNION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(With Independent Auditor's Report Thereon)

ALLOYA CORPORATE FEDERAL CREDIT UNION

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305 West Big Beaver Rd., Ste. 200
Troy, Michigan 48084
248.244.3000
doeren.com

Independent Auditor's Report

To the Supervisory Committee, Board of Directors
and Management of Alloya Corporate Federal Credit Union

Opinion

We have audited the financial statements of Alloya Corporate Federal Credit Union, which comprise the consolidated statement of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alloya Corporate Federal Credit Union as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alloya Corporate Federal Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alloya Corporate Federal Credit Union's ability to continue as a going concern for one year after the date that the financial statements are issued.

DoerenMayhew

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alloya Corporate Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Alloya Corporate Federal Credit Union's internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 23, 2023 expressed an unmodified opinion.

Doeren Mayhew

Troy, Michigan
February 23, 2023

ALLOYA CORPORATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2022 AND 2021

Assets	**2022**	**2021**
Cash and cash equivalents	$2,592,177,887	$2,951,426,654
Investments:		
Available-for-sale securities (Note 2)	2,745,067,342	3,544,065,089
Other investments (Note 3)	149,685,395	257,511,604
Loans, net of allowance for loan losses (Note 4)	707,068,895	267,758,002
Collateral assignment split dollar (CASD) (Note 7)	11,129,690	11,302,096
Loan participations held for sale (Note 4)	1,341,826	2,612,701
Goodwill	4,702,651	4,702,651
Accrued income and other assets	31,312,090	19,512,538
Total assets	$6,242,485,776	$7,058,891,335
Liabilities and Members' Equity		
Liabilities:		
Members' shares and certificates (Note 5)	$4,541,065,354	$6,540,865,856
Deposits in collection	28,359,282	12,927,535
Borrowings (Note 6)	1,107,175,000	5,000,000
Counterparty Collateral (Note 10)	53,310,000	15,025,224
Accrued interest expense and other accrued liabilities	26,691,002	16,999,273
Total liabilities	5,756,600,638	6,590,817,888
Commitments and contingent liabilities		
Members' equity:		
Perpetual contributed capital	267,970,320	253,923,277
Retained earnings and other equity	291,088,486	209,429,549
Accumulated other comprehensive income (loss)	(73,173,668)	4,720,621
Total members' equity	485,885,138	468,073,447
Total liabilities and members' equity	$6,242,485,776	$7,058,891,335

See accompanying notes to the consolidated financial statements.

ALLOYA CORPORATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Interest income:		
Investments	$93,906,943	$31,616,650
Loans to members	20,163,400	4,312,179
Total interest income	114,070,343	35,928,829
Interest expense:		
Members' shares and certificates	52,276,983	5,973,260
Borrowings	13,617,533	116,281
Total interest expense	65,894,516	6,089,541
Net interest income	48,175,827	29,839,288
Provision (recapture) for loan losses	766,585	(165,000)
Net interest income after provision	47,409,242	30,004,288
Non-interest income:		
Payment and technology fee income, net of expense	15,959,774	12,505,496
Capital markets fee income, net of expense	12,788,936	10,725,371
Other income (loss)	(367,941)	2,131,381
Gain on USC Estate Settlement (Note 13)	89,418,284	119,989,675
Total non-interest income	117,799,053	145,351,923
Non-interest expense:		
Compensation and benefits	28,662,751	27,244,532
Professional and outside services	4,194,049	5,902,889
Training, travel and communications	3,391,628	2,604,964
Office operations	1,242,227	1,560,622
Office occupancy	1,720,816	2,252,064
Miscellaneous	1,636,983	1,087,305
Total non-interest expenses	40,848,454	40,652,376
Net income	$124,359,841	$134,703,835

See accompanying notes to the consolidated financial statements.

ALLOYA CORPORATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Net income	$124,359,841	$134,703,835
Other comprehensive income:		
Net unrealized holding gains on derivatives designated as cash flow hedges	—	—
Net unrealized holding losses on investments classified as available-for-sale	(76,660,440)	(14,572,545)
Reclassification adjustments for gains included in net income	(1,233,849)	(5,044,586)
Other comprehensive loss	(77,894,289)	(19,617,131)
Comprehensive income	$46,465,552	$115,086,704

See accompanying notes to the consolidated financial statements.

ALLOYA CORPORATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Perpetual Contributed Capital	Retained Earnings and Other Equity	Accumulated Other Comprehensive Income/(Loss)	Total
Balance, December 31, 2020	$244,522,326	$129,445,866	$24,337,752	$398,305,944
Net income	—	134,703,835	—	134,703,835
Perpetual contributed capital acquired from members	9,400,951	—	—	9,400,951
Dividends on perpetual contributed capital	—	(5,580,388)	—	(5,580,388)
Special dividend on perpetual contributed capital (Note 13)	—	(49,139,764)	—	(49,139,764)
Other comprehensive loss	—	—	(19,617,131)	(19,617,131)
Balance, December 31, 2021	$253,923,277	$209,429,549	$4,720,621	$468,073,447
Net income	—	124,359,841	—	124,359,841
Perpetual contributed capital acquired from members	14,047,043	—	—	14,047,043
Dividends on perpetual contributed capital	—	(5,846,201)	—	(5,846,201)
Special dividend on perpetual contributed capital (Note 13)	—	(36,854,703)	—	(36,854,703)
Other comprehensive loss	—	—	(77,894,289)	(77,894,289)
Balance, December 31, 2022	$267,970,320	$291,088,486	($73,173,668)	$485,885,138

See accompanying notes to the consolidated financial statements.

ALLOYA CORPORATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Net income	$124,359,841	$134,703,835
Adjustments:		
(Gain) Loss on financial instruments	24,580	(44,793)
Loss from changes in fair value of loan participations held for sale	35,908	12,571
Net amortization/accretion of premiums and discounts on investment securities	2,396,098	5,470,844
Amortization of premiums on loan participations	249,723	322,402
Accretion of gain on teminated interest rate swaps	(241,916)	—
Accretion of gain on sale of interest rate floors	(1,233,848)	(5,044,586)
Change in cash surrender value of CASD	172,406	13,449
Provision for loan losses	766,585	(165,000)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued income and other assets	(11,723,205)	(5,296,585)
Increase in accrued interest expense and other accrued liabilities	47,976,505	14,965,376
Total adjustments	38,422,836	10,233,678
Net cash provided from operating activities	162,782,677	144,937,513

See accompanying notes to the consolidated financial statements.

ALLOYA CORPORATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Cash Flows (Continued)

	2022	2021
Cash flows from investing activities:		
Proceeds from maturities and repayments of available-for-sale investments	$1,858,511,549	$1,628,118,245
Purchase of available-for-sale investments	(1,177,261,403)	(1,905,001,784)
Gain on sale of derivatives	5,197,359	—
Net change in loans to members	(363,504,319)	(18,375,246)
Net change in loan participations	(80,512,524)	1,393,098
Purchase of guaranteed investment contracts	(10,055,000)	(30,000,000)
Proceeds from maturities of guaranteed investment contracts	10,000,000	—
Net change in repurchase agreements	68,501,340	(18,501,340)
Additions to paid in portion CLF Capital Stock	(4,272,667)	(4,101,867)
Proceeds from return/refunds of CLF Capital Stock	126,346,621	227,834
Net other (increase) decrease in other investments	(44,134,784)	256,753
Net cash used in investing activities	388,816,172	(345,984,307)
Cash flows from financing activities:		
Net change in members' shares and certificates	(1,999,800,502)	(184,466,197)
Change in deposits in collection	15,431,747	(2,009,933)
Net change in borrowings	1,000,000,000	1,000,000
Proceeds from Reverse Repurchase Agreement	102,175,000	—
Perpetual contributed capital raised	14,047,043	9,400,951
Dividends on perpetual contributed capital	(42,700,904)	(54,720,152)
Net cash used in financing activities	(910,847,616)	(230,795,331)
Net change in cash and cash equivalents	(359,248,767)	(431,842,125)
Cash and cash equivalents, beginning of year	2,951,426,654	3,383,268,779
Cash and cash equivalents, end of year	$2,592,177,887	$2,951,426,654

Supplemental Cash Flows Disclosure

Interest paid	$60,067,649	$5,813,788

See accompanying notes to the consolidated financial statements.

Note 1 - Significant Accounting Policies

Organization

Alloya Corporate Federal Credit Union (the Credit Union) was chartered in October 2011 and provides liquidity, correspondent transaction and investment services to credit unions and their affiliated organizations through a national field of membership. The Credit Union is a "business to business" provider and is used by its members as their primary point of cash settlement and as a source for operational and term liquidity through an advised line of credit program. The Credit Union also offers a back office technology solution referred to as Premier View which is an efficient and secure solution for members to process transactions such as wires, ACH, checks, international payments and coin and currency delivery to their branches and ATMs. The Credit Union further supports members by providing clearing, research, adjustment and compliance functions related to these transactions.

Alloya Solutions, LLC (AS) is a wholly-owned subsidiary of the Credit Union. AS offers services through CU Investment Solutions, LLC, an unrelated entity. CU Investment Solutions, LLC, is registered with the Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934. AS offers securities transactions to its customers, principally credit unions and credit union service organizations. AS also offers time deposit products to financial institutions through its partnership with Primary Financial Company, LLC.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and fair value of financial instruments. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiary, AS. All significant intercompany balances and transactions have been eliminated in consolidation.

Note 1 - Significant Accounting Policies (Continued)

Comprehensive Income/(Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of other comprehensive income/(loss) (OCI). OCI is limited to the changes in unrealized gains/(losses) on available-for-sale investments and offsetting changes of interest rate floor and interest rate swap derivatives designated as hedges. When available-for-sale investments are sold, the gain/(loss) realized on the sale is reclassified from accumulated other comprehensive income/(loss) (AOCI) to the net gain/(loss) on sale of available-for-sale investments reported in the consolidated statements of income. Net gains/(losses) on derivative instruments that are designated as cash flow hedges are reclassified into earnings over the term of the instrument.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from the Federal Reserve Bank and other depository institutions, Fed Funds Sold as well as coin and currency maintained at a courier warehouse. Amounts due from banks may, at times, exceed federally insured limits.

Federal Reserve Bank (FRB) – Excess Balance Account (EBA) Program

The Credit Union, as agent, entered into an EBA agreement with participating member credit unions and the FRB, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Credit Union's consolidated financial statements. These balances totaled approximately \$1,845,856,000 and \$6,405,752,000 as of December 31, 2022 and 2021, respectively. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. The agent is solely responsible for calculating and distributing the interest payable to each participant on the participant's excess balance and for damages owed to participants for any inaccuracy in calculating the participant's excess balance and interest.

Note 1 - Significant Accounting Policies (Continued)

Available-for-Sale Investments

Investment securities are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments, and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in OCI. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the estimated fair value of available-for-sale securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, (iii) that the Credit Union does not intend to sell these securities, and (iv) it is more likely than not that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

Derivative Instruments

In the normal course of business, the Credit Union is subject to risk from fluctuations in interest rates. The Company manages these risks through a program that includes the use of derivative financial instruments, primarily swaps and floors. Counterparties to these contracts are major financial institutions. The Credit Union is exposed to credit loss in the event of non-performance by these counterparties. The Credit Union does not use derivative instruments for trading or speculative purposes.

The Credit Union uses interest rate swap agreements to offset the changes in fair value of certain member loans and available for sale securities attributable to interest rate volatility. The Credit Union has used interest rate floor agreements to mitigate the potential risk associated with the volatility in cash flows on London Interbank Offered Rate (LIBOR) based assets that could result from declining interest rates.

Note 1 - Significant Accounting Policies (Continued)

All of the Credit Union's outstanding derivative financial instruments are recognized in the consolidated statement of financial condition as an asset or liability at fair value (See Note 10). The effect on earnings from recognizing the fair values of these derivative financial instruments depends on their intended use, their hedge designation, and their effectiveness in offsetting changes in the fair values of the exposures they are hedging. Accounting Standards Codification (ASC) 815 allows an entity to assume perfect effectiveness in a hedging relationship of interest rate risk involving a recognized interest-bearing asset or liability and an interest rate swap if certain criteria are met (short-cut method). Utilizing the short cut method allows an entity to conclude that changes in fair value attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. The Credit Union has applied the short-cut method for derivative transactions designated as fair value hedges if they meet the criteria specified in the standard.

Changes in the fair values of derivative instruments that are not designated as hedges or do not qualify for hedge accounting treatment are reported in earnings. Amounts reported in earnings are classified consistent with the item being hedged. For derivative instruments designated as fair value hedges, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in earnings. The Credit Union includes the gain or loss on the hedged items (i.e., fixed-rate investments or loans) in the same line item (interest income) as the offsetting loss or gain on the related interest rate swaps. Changes in the fair values of instruments used to reduce or eliminate adverse fluctuations in cash flows of anticipated or forecasted transactions are reported in equity as a component of AOCI. Amounts in AOCI are reclassified to earnings when the related hedged items affect earnings or the anticipated transactions are no longer probable.

The Company discontinues the use of hedge accounting prospectively when (1) the derivative instrument is no longer effective in offsetting changes in fair value or cash flows of the underlying hedged item; (2) the derivative instrument expires, is sold, terminated, or exercised; or (3) designating the derivative instrument as a hedge is no longer appropriate. The gain or loss at the time of discontinuance is amortized to interest income over the remaining term of the derivative instrument.

Other Investments

CLF Capital Stock and FHLB Capital Stock are carried at cost and their disposition is restricted. Guaranteed investment contracts (Funding Agreements) are carried at cash surrender value and reverse repurchase agreements are accounted for as secured borrowings and carried at amortized cost. Refer to Note 3 for further details regarding these investments.

The Credit union has investments in various Credit Union Service Organizations (CUSOs). The Credit Union uses the equity method of accounting for these investments when it is deemed that the Credit Union holds significant influence over the investee, which is assessed based on ownership percentage and other qualitative factors. For CUSO Investments not meeting these requirements and are without readily determinable fair value, the Credit Union has elected to carry at cost minus impairment, if any.

Note 1 - Significant Accounting Policies (Continued)

Loans and Allowance for Loan Losses

Loans include loans to members, loan participations held for investment, and natural person credit union subordinated debt. Loans to members and subordinated debt are stated at the amount of unpaid principal. Interest is calculated using the simple-interest method on principal amounts outstanding and is recognized over the term of the loan or subordinated debt. The accrual of interest is discontinued when management believes that collection of interest is doubtful. The Credit Union reviews the loan portfolio for impairment on a regular basis.

Loan participations held for investment are initially recorded at market value as of the settlement date. An allowance for loan losses is established at purchase for these loan participations and the carrying value of this asset is reflected net of the allowance. The allowance is increased by provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). The allowance is maintained at an amount that represents management's estimate of losses that may be sustained in the liquidation of currently outstanding loans.

Any difference between the market price and par value at the settlement date for loan participations is recorded as a premium or discount. The premium or discount is amortized or accreted to interest income using the effective yield method over the expected weighted average life of the loan pool. Accrued interest on the loans is recorded to interest income. Principal and interest payments on the loans are applied monthly to reduce loan participation asset and accrued interest balances.

Allowance for Loan Losses

Member Loans/Subordinated Debt - The Credit Union's loan portfolio consists of loans made to member credit unions, credit union service organizations and other affiliated organizations, and subordinated debt purchases from natural person credit unions. The Credit Union has divided the portfolio into three classes of loans (settlement loans, fixed-rate term loans, and subordinated debt) based on the risk characteristics of each type. Each class of loans requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The following methodology is used by management to evaluate each class of member loans:

All loans are evaluated on a loan-by-loan basis. Settlement loans and fixed-rate term loans are generally secured by a blanket lien against the assets of the member credit union, CUSO or affiliate. In addition, the Credit Union may also require the member to pledge specific assets and/or certificate accounts before extending loan advances. Loans to members can be offset against the members' share accounts, if necessary. Subordinated debt represents unsecured loans made to natural person credit unions with an acceptable risk profile.

Note 1 - Significant Accounting Policies (Continued)

Loan Participations - Loan participations held for investment, secured by vehicles or unsecured loans, were purchased without recourse and the originating financial institution performs all loan servicing functions on these loans. The Credit Union records an allowance for loan loss provision equal to the estimated inherent losses attributed to the current portfolio. The following methodology is used by management to evaluate loan participations:

Loan participations are segmented by loan pool and/or originator and the allowance is calculated by segment utilizing the following factors:

- Originating credit union recommended loss amount
- Originating credit union historical loss history for the loan type
- Qualitative and environmental factors which may include lending policy and procedure changes, economic condition changes, and the depth of the originating credit union's management experience

For the years ended December 31, 2022 and 2021, the Credit Union has an allowance for loan loss of approximately $929,000 and $258,000, respectively.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. If management determines that a loan is impaired, an impairment is recognized through an allowance. There were no impaired loans as of December 31, 2022 or 2021. Additionally, the Credit Union places loans on non-accrual status when the loan reaches 90 days past due or when the collection of interest or principal becomes uncertain. None of the loans were on non-accrual status or modified as of December 31, 2022 or 2021.

Loan Participations Held for Sale

Loan participations classified as held for sale are initially recorded at market value as of the settlement date. A valuation allowance is recorded if the market value is lower than the amortized cost of the loan asset. The allowance will be increased for additional declines in market value as compared to amortized cost and decreased for improvements in market value. Loan participations held for sale are reflected on the balance sheet net of the valuation allowance.

Note 1 - Significant Accounting Policies (Continued)

Goodwill

Goodwill acquired in a purchase business combination that is determined to have an indefinite life is not amortized, but tested for impairment at least annually, or more frequently if events and circumstances exist that indicate that an impairment test should be performed. The Credit Union has selected December 31 as the date to perform the annual impairment test, and any impairment is recognized in the period identified. Based on the annual impairment tests performed as of December 31, 2022 and 2021, there was no impairment on goodwill.

National Credit Union Share Insurance Fund (NCUSIF) Deposit

The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The NCUSIF deposit is required to be periodically reviewed for impairment.

Members' Shares and Certificates

Members' shares are subordinated to all other liabilities of the Credit Union other than non-perpetual contributed capital deposits upon liquidation. Interest rates on members' shares and certificates are set by management based on a daily assessment of available earnings and are not guaranteed by the Credit Union.

Non-Perpetual Contributed Capital (NPC) Shares

NPC shares require a notification term of five years prior to their withdrawal from the Credit Union. If the Credit Union is liquidated, NPC shares are payable only after satisfaction of all liabilities of the Credit Union, including uninsured share obligations to members and the NCUSIF. All remaining NPC shares were withdrawn in February 2021.

Perpetual Contributed Capital (PCC)

PCC is a secondary capital instrument that is classified as equity in the consolidated statements of financial condition. PCC is not negotiable or assignable but may be transferred to another eligible member credit union under certain provisions. PCC may not be pledged or used as security for borrowing. PCC dividends are determined based on net earnings and the overall capital needs of the Credit Union. Additionally, PCC dividends are not guaranteed and may be suspended if earnings are negative and/or capital levels fall below regulatory and/or policy minimum levels.

Note 1 - Significant Accounting Policies (Continued)

Deposits in Collection

Deposits in collection represent deposits the Credit Union received on December 31 that will be credited to member share accounts the following business day.

Revenue Recognition

Payment and technology fee income, net of expense: The Credit Union earns fee income from its members for transaction-based services in the form of both fixed monthly and transaction fees. Transaction-based services include services such as automated clearing house (ACH) and share-draft processing, coin and currency vault and delivery services, and wires. Transaction fees are recognized at the time the transaction is executed, as that is the point in time the Credit Union fulfills the member's request. Monthly fixed fees, charged for access to these services, are recognized in the month the services were provided.

Capital markets fee income, net of expense:

- The Credit Union earns servicing fees from its loan participation marketplace. Loan participation fee income is recognized when remittances are transmitted from the loan participation seller to the buyer through the marketplace.

- The Credit Union provides security safekeeping services to its members. Transaction-based income from security safekeeping is recognized at the time the transaction is executed. Monthly fixed fees are charged for access to safekeeping services and these fees are recognized in the month the services were provided.

- Agent income from EBA Program: The Credit Union, as an agent, earns income based on a spread differential as a function of the balances maintained at the FRB for the participant. Agent income is recognized in the month of activity and is included in non-interest income on the consolidated statements of income.

- AS commissions income: Income received through services provided by AS consists of commissions. Commission income for investment trades is recognized in the month of trade activity. Commission income for the time deposit sales through the SimpliCD program is recognized over the life of the corresponding time deposit.

Note 1 - Significant Accounting Policies (Continued)

Federal and State Tax Exemption

The Credit Union is exempt, from most federal, state, and local taxes under the provisions of the Internal Revenue Code (IRC) and state tax laws. The Income Taxes Topic of the Financial Accounting Standards Board (FASB) ASC clarifies accounting for uncertainty in income taxes reported in the financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the “more likely than not” standard for sustainability on examination by tax authorities. Federal credit unions are tax-exempt under IRC sections 501(c)(14)(a) and 501(c)(1)(a)(I). As such, the Credit Union has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Reclassification

Certain amounts reported in the 2021 consolidated financial statements have been reclassified to conform with the 2022 presentation. Reclassification adjustments did not affect total members’ equity or net income.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, which is intended to increase transparency and comparability of accounting for lease transactions. The ASU requires lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and requires both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance was effective January 1, 2022 with an option to early adopt. The Credit Union adopted this standard effective January 1, 2022 and the impact of the adoption was an increase in assets and liabilities of approximately $4,374,000. Due to the insignificant amount, the required disclosures have been intentionally omitted.

Subsequent Events

Management has evaluated subsequent events through February 23, 2023, the date the consolidated financial statements were available to be issued.

Note 2 - Investments – Available-for-Sale Securities

The amortized cost and estimated fair value of investments are as follows:

	As of December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Asset-backed securities	$1,149,054,627	$183,133	($24,623,148)	$1,124,614,612
Collateralized-mortgage obligations	1,207,652,562	375,164	(47,316,353)	1,160,711,373
SBA	23,897,651	43,157	(14,849)	23,925,959
Corporate notes	57,313,429	—	(953,867)	56,359,562
Agency securities	430,893,965	157,750	(51,595,879)	379,455,836
Total	$2,868,812,234	$759,204	($124,504,096)	$2,745,067,342

	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Asset-backed securities	$1,823,952,237	$1,711,452	($4,142,418)	$1,821,521,271
Collateralized-mortgage obligations	1,205,706,120	5,109,728	(4,414,266)	1,206,401,582
SBA	33,947,503	338,266	—	34,285,769
Corporate notes	14,008,214	26,906	—	14,035,120
Agency securities	480,154,851	1,400	(12,334,904)	467,821,347
Total	$3,557,768,925	$7,187,752	($20,891,588)	$3,544,065,089

Available-for-sale securities as of December 31, 2022 includes approximately $377,760,000 (book value) of hedged assets. Losses relating to the hedged risk on these investments of approximately $50,571,000 were reclassified out of AOCI to interest income to offset the gains recorded on the related interest rate swaps. Therefore, the ending AOCI attributed to investments not used as hedge assets is approximately $73,174,000.

Note 2 - Investments – Available-for-Sale Securities (Continued)

Available-for-sale securities as of December 31, 2021 includes approximately $452,412,000 (book value) of hedged assets. Losses relating to the hedged risk on these investments of approximately $17,191,000 were reclassified out of AOCI to interest income to offset the gains recorded on the related interest rate swaps. Therefore, the ending AOCI attributed to investments not used as hedge assets is approximately $3,487,000.

The amortized cost and estimated fair value of investments as of December 31, 2022, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

	Available-for-sale	
	Amortized Cost	**Fair Value**
Within 1 year	$20,005,083	$19,991,000
1 to 5 years	354,262,224	323,265,403
Over 5 years	113,940,087	92,558,995
Asset-backed securities	1,149,054,627	1,124,614,612
Collateralized-mortgage obligations	1,207,652,562	1,160,711,373
SBA	23,897,651	23,925,959
Total	$2,868,812,234	$2,745,067,342

The following tables represent concentration limits on investments based on parameters established by *NCUA Regulation 704.5*. Per NCUA regulation Agency and GSE debt securities are not subject to capital or asset-based limits.

	As of December 31, 2022		
	Fair Value	**Capital Based Limit**	**Asset Based Limit**
By Security Type:			
Auto loan/lease asset-backed securities	$584,364,871	$2,703,161,000	$1,560,621,000
Credit card asset-backed securities	119,436,267	2,703,161,000	1,560,621,000
Commercial mortgage-backed securities	423,908,862	1,621,897,000	936,373,000
FFELP student loan asset-backed	140,114,061	5,406,322,000	3,121,243,000
Mortgage-backed securities (excluding commercial mortgage-backed securities)	736,802,511	5,406,322,000	3,121,243,000
Other asset-backed securities	280,699,413	2,703,161,000	1,560,621,000
Corporate debt obligations	56,359,562	5,406,322,000	3,121,243,000

Note 2 - Investments – Available-for-Sale Securities (Continued)

	As of December 31, 2022	
	Fair Value	Regulatory Limit
By Issuer:		
VZMT	$72,722,738	$135,158,000
NALT 2022-A	33,288,413	135,158,000
AMXCA	30,112,780	270,316,000
MetLife (GICs)	30,055,000	135,158,000

The following tables show the gross unrealized losses and fair value of investments, aggregated by the length of time the individual securities have been in continuous unrealized loss position:

	As of December 31, 2022					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for sale:						
Asset-backed securities	$462,470,642	($6,783,781)	$582,194,767	($17,839,367)	$1,044,665,409	($24,623,148)
Collateralized -mortgage obligations	694,031,400	(15,503,756)	382,384,211	(31,812,597)	1,076,415,611	(47,316,353)
SBA	8,756,403	(14,849)	—	—	8,756,403	(14,849)
Corporate Notes	56,359,562	(953,867)	—	—	56,359,562	(953,867)
Agency	—	—	361,079,436	(51,595,879)	361,079,436	(51,595,879)
Total	$1,221,618,007	($23,256,253)	$1,325,658,414	($101,247,843)	$2,547,276,421	($124,504,096)

Note 2 - Investments – Available-for-Sale Securities (Continued)

	As of December 31, 2021					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:						
Asset-backed securities	$1,242,383,784	($3,423,154)	$58,658,402	($719,264)	$1,301,042,186	($4,142,418)
Collateralized-mortgage obligations	393,173,466	(3,408,420)	108,846,329	(1,005,846)	502,019,795	(4,414,266)
Agency	180,691,758	(3,834,075)	247,130,389	(8,500,829)	427,822,147	(12,334,904)
Total	$1,816,249,008	($10,665,649)	$414,635,120	($10,225,939)	$2,230,884,128	($20,891,588)

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity.

The Credit Union evaluates each asset-backed security, collateralized-mortgage obligation, and corporate note for other-than-temporary impairment by considering the credit quality of each security as well as the tranche and underlying collateral in evaluating each security for other-than-temporary impairment. Management has the intent and ability to hold these securities to recovery of fair value, which may be maturity. There was no other-than-temporary impairment recognized on asset-backed securities, collateralized-mortgage obligations or corporate notes during the years ended December 31, 2022 and 2021.

Note 3 - Other Investments

Other investments are comprised of the following as of December 31, 2022 and 2021:

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	2022	2021
CLF Capital Stock	$—	$122,073,953
Reverse Repurchase Agreements	—	68,501,340
GICs (Funding Agreements)	30,055,000	30,000,000
CUSO Investments (Note 1)	10,605,434	13,235,036
Derivative Contracts (Note 10)	54,262,577	15,703,275
FHLB Capital Stock	45,100,000	7,750,000
Other	9,662,384	248,000
Total	$149,685,395	$257,511,604

CLF Capital Stock

The Central Liquidity Facility (CLF) is the channel for credit unions to access funds from the U.S. Treasury. In 2020, the U.S. Government enacted the Cares Act which included legislative changes that strengthened the CLF program. This legislation was temporary and expired on December 31, 2021 and as a result, the Credit Union was no longer able to borrow as a direct member in the CLF effective on this date. Under this legislation, the Credit Union, as a corporate credit union, could act as an Agent on behalf of an approved group of its members. The Credit Union's member group could access the CLF through December 31, 2022 at which point the legislation required that the Credit Union provide capital for all its members or discontinue being an Agent. The CLF Agent membership provision was not extended past 2022 and as a result the Credit Union's subscribed capital it had provided on behalf of the member group in the amount of approximately $125,020,000 was returned on December 29, 2022. The Credit Union had invested approximately $218,650,000 on behalf of its members and $25,500,000 for direct CLF access, for a combined investment total of $244,150,000 as of December 31, 2021. One half of this amount ($122,075,000) was invested in the CLF with the remaining amount being "on call". CLF capital stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value.

Note 3 - Other Investments (Continued)

Reverse Repurchase Agreements

The Credit Union entered into reverse repurchase agreements accounted for as secured borrowings and carried at amortized cost. As the buyer-lender, the Credit Union bought the securities with an agreement to resell them to the seller-borrower at a stated price plus interest at a specified date. As of December 31, 2022, the Credit Union had no reverse repurchase agreements outstanding. As of December 31, 2021, the Credit Union had two reverse repurchase agreements which were for $50,000,000 and $18,501,000 with a maturity of under one year. The fair value of the collateralized securities was approximately $70,167,000 as of December 31, 2021. As of December 31, 2021, the Credit Union had cash collateral requirements with J.P. Morgan for approximately $1,475,000.

GIC (Funding Agreements)

The Credit Union entered into GICs which are agreements whereby an insurance company guarantees a fixed rate of return in exchange for holding a deposit from the investor for the contracted period of time. GICs are accounted for using cash surrender value. As of December 31, 2022, the Credit Union had three guaranteed interest contracts with a total balance of $30,055,000. The contracts are set to mature on May 25, 2024, May 25, 2025 and May 25, 2026.

FHLB Capital Stock

As a member of the FHLB system the Credit Union is required to own a certain amount of stock based on its anticipated level of borrowings and other factors. Capital stock may be redeemed after a five-year written notice to the FHLB. The Credit Union held capital stock issued by FHLB of Chicago of approximately $45,100,00 and $7,750,000 as of December 31, 2022 and 2021, respectively. FHLB Capital stock is carried at cost and its disposition is restricted.

Note 4 - Loans

The composition of loans as of December 31, 2022 and 2021 is as follows:

	2022	2021
Member:		
Term loans	$277,234,232	$218,465,292
Settlement loans	331,013,236	36,202,465
	608,247,468	254,667,757
Subordinated Debt	8,750,000	3,750,000
Loan participations:		
Secured	89,951,522	7,706,273
Unsecured	1,048,701	1,892,456
	91,000,223	9,598,729
Less: allowance for loan losses	(928,796)	(258,484)
Loans, net of allowance	$707,068,895	$267,758,002

Term loan balances include fair value losses of approximately $3,910,000 and fair value gains of $1,128,000 for the years ended December 31, 2022 and 2021, respectively. These gains and losses are related to specific member fixed rate loans that are underlying assets for interest rate swap derivatives (see Note 10).

Loan Participations Held for Sale

In 2021, the Credit Union purchased new loan participations that are classified as held for sale. These assets are repriced monthly and a valuation allowance is recorded when market value falls below amortized cost. At December 31, 2022 the book value of the loan participations held for sale was $1,390,000 and the valuation allowance was $48,000. At December 31, 2021 the book value of the loan participations held for sale was $2,625,000 and the valuation allowance was $13,000.

Note 4 - Loans (Continued)

Allowance for Loan Losses (Allowance)

The following table presents the activity in the Allowance and a summary of the Allowance by portfolio segment as of and for the year ended December 31, 2022:

	Member	Loan Participation	Total
Allowance:			
Beginning allowance	$—	$258,484	$258,484
Charge-offs	—	(98,788)	(98,788)
Recoveries	—	2,515	2,515
Provision for loan losses	—	766,585	766,585
Ending allowance	$—	$928,796	$928,796

The increase in the Allowance for Loan Losses as of December 31, 2022 is due to an increase in the volume of loan participations.

The following table presents the activity in the Allowance and a summary of the Allowance by portfolio segment as of and for the year ended December 31, 2021:

	Member	Loan Participation	Total
Allowance:			
Beginning allowance	$—	$372,329	$372,329
Charge-offs	—	(3,743)	(3,743)
Recoveries	—	54,898	54,898
Provision for loan losses	—	(165,000)	(165,000)
Ending allowance	$—	$258,484	$258,484

The Credit Union had no impaired loans as of December 31, 2022 and 2021.

Note 4 - Loans (Continued)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans as of December 31, 2022:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Member:						
Term loans	$—	$—	$—	$—	$277,234,232	$277,234,232
Settlement	—	—	—	—	331,013,236	331,013,236
					608,247,468	608,247,468
Subordinated Debt:	—	—	—	—	8,750,000	8,750,000
Loan participations:						
Vehicle	484,969	191,103	—	676,072	89,275,450	89,951,522
Unsecured	10,674	18,438	—	29,112	1,019,589	1,048,701
Total	$495,643	$209,541	$—	$705,184	$707,292,507	$707,997,691

Note 4 - Loans (Continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2021:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Member:						
Term loans	$—	$—	$—	$—	$218,465,292	$218,465,292
Settlement	—	—	—	—	36,202,465	36,202,465
					254,667,757	254,667,757
Subordinated Debt:	—	—	—	—	3,750,000	3,750,000
Loan participations:						
Vehicle	60,161	61,160	—	121,321	7,584,952	7,706,273
Unsecured	9,584	—	—	9,584	1,882,872	1,892,456
	69,745	61,160	—	130,905	9,467,824	9,598,729
Total	$69,745	$61,160	$—	$130,905	$267,885,581	$268,016,486

There were no non-performing loans or loan participations on which the accrual of interest has been discontinued or reduced or loans 90 days or more past due for the years ended December 31, 2022 and 2021.

Credit Quality Indicators

The Credit Union reviews all lines of credit on an annual basis by reviewing the members' financial condition and key ratios. A watch list is created of members that represent a credit risk or a concentration risk to the Credit Union. The following criteria are used to determine whether a loan will be placed on the watch list:

Credit Quality Indicator:

- Capital ratio below 6%
- Negative earnings as of the prior year end and most recent quarter end as well as a capital ratio below 9%
- Negative earnings as of the prior year end and most recent quarter end as well as a delinquency ratio above 4% and a capital ratio below 10%

Note 4 - Loans (Continued)

Concentration Risk Indicator:

- Line of credit in excess of 30% of the Credit Union’s total members’ equity
- Outstanding loan balance in excess of 10% of the Credit Union’s total outstanding loan balance

Members placed on the watch list have lines of credit of approximately \$1,512,202,000 and \$1,669,541,000 and outstanding loan balances of approximately \$8,899,000 and \$125,000,000 as of December 31, 2022 and 2021, respectively. Primarily due to a strong collateral position, the Credit Union has never experienced a loss on a loan to a member.

The Credit Union evaluates the credit quality of the consumer loan participation portfolio based primarily on the aging status of the loan and payment activity. Accordingly, non-accrual loans and loans modified under troubled debt restructurings that are past due in accordance with the loans’ original contractual terms are considered to be in a non-performing status for purposes of credit quality evaluation.

The Credit Union had no net gains on early prepayment of loans recognized for the year ended December 31, 2022. There were net gains recognized of approximately \$65,000 related to the early prepayment of term loans for the year ended December 31, 2021. These gains are included as a component of capital markets fee income in the consolidated statements of income.

Note 5 - Members’ Shares and Certificates

Members’ shares and certificates are summarized as follows:

	2022	2021
Daily shares	$2,930,005,104	$5,254,868,714
Share certificates	1,611,060,250	1,285,997,142
Total	$4,541,065,354	$6,540,865,856

The aggregate balance of members’ certificates in denominations that meet or exceed \$250,000 was approximately \$1,434,298,000 as of December 31, 2022.

Note 5 - Members' Shares and Certificates (Continued)

Scheduled maturities of certificates as of December 31, 2022 are as follows:

	2022
Within one	$844,854,250
1 to 2 years	371,287,000
2 to 3 years	223,853,000
3 to 4 years	152,518,000
4 to 5 years	18,548,000
Total	$1,611,060,250

Note 6 - Lines of Credit

Federal Home Loan Bank of Chicago (FHLBC)

As a member of the FHLBC, the Credit Union has access to a pre-approved secured line of credit with the capacity to borrow up to a certain percentage of the value of its eligible collateral, as defined in the FHLBC Statement of Credit Policy. There was $1,005,000,000 and $5,000,000 outstanding on this line of credit for the years ending December 31, 2022 and 2021, respectively.

The carrying amount, which is at fair value, of securities held as collateral at the FHLBC was approximately $1,319,110,000 as of December 31, 2022.

JP Morgan Securities, LLC (JPM)

The Credit Union has established a repurchase line of credit agreement with JPM, secured by unencumbered, qualified investment securities. The interest rate charged varies depending on the collateral provided and the current market conditions. There was $102,175,000 and $0 borrowed funds outstanding under this agreement as of December 31, 2022 and 2021, respectively.

The carrying amount, which is at fair value, of securities held as collateral by JPM was approximated $103,352,000 as of December 31, 2022. The Credit Union had cash collateral requirements with JPM for approximately $9,166,000 as of December 31, 2022.

Various Financial Institutions

The Credit Union has established unsecured federal funds agreements with various financial institutions. The agreements provide for borrowings up to $120,000,000 in aggregate, with interest payable at a rate determined by the financial institutions for the years ended December 31, 2022 and 2021, respectively. There were no borrowed funds outstanding under these agreements as of December 31, 2022 and 2021.

Note 7 - Employee Benefit Plans

401(k) and Profit Sharing Plan

The Credit Union sponsors a defined contribution plan (Plan) established under Section 401(k) of the Internal Revenue Code. This Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. The Credit Union matches 100% of the first 4% contributed by employees. Matching contributions approximated $746,000 and $693,000 for the years ended December 31, 2022 and 2021, respectively. In addition, the Credit Union may elect to make a discretionary contribution to the Plan annually. This election requires approval by the Credit Union's Board of Directors. The Credit Union made discretionary contributions of approximately $695,000 and $612,000 for the years ended December 31, 2022 and 2021, respectively.

Collateral Assignment Split Dollar (CASD)

The Credit Union provides supplemental retirement benefits for certain Credit Union Executives through an arrangement the Internal Revenue Service (IRS) refers to as "collateral assignment split dollar" (CASD). Although the IRS requires CASD to be reported as loans, CASD is not an actual loan. There is neither a transfer of funds to the participant nor an obligation for the participant to pay those funds back. Instead, the Credit Union recovers its outlays plus interest from the underlying policy. The recovery right is a key advantage of CASD. With traditional deferred compensation, the Credit Union pays the benefit from corporate assets, never to recover those dollars. With CASD, the Credit Union recovers not only its outlays, but also interest that takes into account the time value of money.

In a CASD, the Credit Union deposits dollars directly into a life insurance policy, with the Credit Union holding a lien on the policy to ensure repayment. At specified times and subject to vesting requirements, the participant may borrow from the cash value of the policy to supplement retirement income (provided there are sufficient policy values). Borrowing is carefully monitored and limited to assure that the policy will remain in effect until the participant's death and will pay a death benefit at least sufficient to repay the Credit Union's outlays plus interest. Any remaining death proceeds are divided between the Credit Union and the participant's beneficiary as agreed upon by the parties. The CASD is recorded at the cash surrender value on the consolidated statements of financial condition.

Note 8 - Off-Balance-Sheet Risk and Concentrations of Credit Risk

Off-Balance-Sheet Risk

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statements of financial condition. The Credit Union's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon and are extended as advised lines of credit, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2022, the members' unused lines of credit approximated $12,070,252,000. The Credit Union also had letters of credit outstanding with members in the amount of $80,150,000 as of December 31, 2022. The Credit Union evaluates each members' creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the member.

Note 9 - Regulatory Capital

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Failure to meet a minimum capital requirement would require the Credit Union to submit a plan of action to correct the shortfall. Additionally, NCUA could require an increase in capital to specific levels, reduction of interest, and/or ceasing or limiting the Credit Union's ability to accept deposits.

Note 9 - Regulatory Capital (Continued)

Effective December 22, 2017, several changes were made to the capital regulations pertaining to corporate credit unions. The revised regulations provide incentives to build retained earnings to at least 250 basis points by providing the following incentive if this is achieved:

- All PCC will be included in Tier 1 capital. If the 250 basis point threshold is not met, PCC in excess of retained earnings minus 200 basis points of daily average net assets, will be excluded from Tier 1 capital.
- Expanded authorities for corporate credit unions to engage in the following activities:
  - Engage in short sales
  - Purchase principal only stripped MBS securities
  - Enter into dollar roll transactions
  - Invest in certain foreign investments
  - Derivative transactions
  - Loan participations with natural person credit unions

The Credit Union's retained earnings and other equity ratio is 4.57% and 3.55% as of December 31, 2022 and 2021, respectively. The ratio was higher than the regulatory minimum for the years ending December 31, 2022 and 2021 allowing the Credit Union to include all PCC as regulatory Tier 1 capital.

The NCUA made changes to the definition of Tier 1 and Tier 2 capital. The changes eliminated many of items that were either added or subtracted from capital to simplify the definition of regulatory capital.

Tier 1 Capital:

- Retained earnings plus
- Perpetual contributed capital
- Less:
  - Intangible assets that exceed one-half percent of the corporate credit union's moving daily average net assets,
  - Investments, both equity and debt, in unconsolidated CUSOs,
  - PCC or NCA maintained at another corporate credit union,

Note 9 - Regulatory Capital (Continued)

- PCC received from federally insured credit unions that causes PCC minus retained earnings, all divided by moving daily average net assets, to exceed two percent when a corporate credit union's retained earnings ratio is less than two and one-half percent,
- Subordinated debt instruments issued by natural person credit unions.

Tier 2 capital includes the following:

- Unamortized Non-perpetual Capital,
- Allowance for loan losses calculated under GAAP up to a maximum of 1.25% of risk-weighted assets,
- Any PCC deducted from Tier 1 capital,
- Forty-five percent of net unrealized gains (holding gains exceeding holding losses) on available-for-sale equity securities with readily determinable fair values. NCUA may disallow such inclusions in the calculation of Tier 2 capital if NCUA determines that the securities are not prudently valued.

Total capital includes Tier 1 and Tier 2 capital.

The Credit Union's capital amounts used in the calculations for regulatory capital as of December 31, 2022 and 2021, are as follows:

	2022	2021
Total regulatory retained earnings	$291,088,486	$209,429,549
Perpetual contributed capital	267,970,320	253,923,277
Investments in unconsolidated CUSOs	(10,605,434)	(13,235,036)
Subordinated Debt	(8,750,000)	(3,750,000)
Tier 1 capital before PCC	539,703,372	446,367,790
PCC exclusion – effective December 2017	—	—
Tier 1 capital	$539,703,372	$446,367,790
Tier 1 capital	$539,703,372	$446,367,790
Non-perpetual capital	—	—
Allowance for 1oan 1osses	928,796	258,484
PCC excluded from Tier 1 capital	—	—
45% of unrealized net gain on equity	—	—
Total capital	$540,632,168	$446,626,274
Moving daily average net assets	$6,369,679,132	$5,893,393,296
Monthly moving average net risk-weighted assets (MMANRA)	$2,034,444,759	$1,922,535,498

Note 9 - Regulatory Capital (Continued)

Capital ratio	2022	2021	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio (1)	8.47%	7.57%	4.00%	5.00%
Tier 1 risk based (2)	26.53%	23.22%	4.00%	6.00%
Total risk based capital (3)	26.57%	23.23%	8.00%	10.00%
Retained earnings ratio (4)	4.57%	3.55%	N/A	N/A

Calculations (Capital/Denominator):
(1) = T1C/MDANA
(2) = T1C/MMANRA
(3) = TC/MMANRA
(4) = Retained earnings/MDANA

T1C = Tier 1 capital MDANA = Moving daily average net assets
TC = Total capital MMANRA = Moving monthly average net risk-weighted assets

As of December 31, 2022 and 2021, the Credit Union met all capital requirements under Section 704.3 of the NCUA Regulations.

Note 10 - Derivatives

Derivatives as of December 31, 2022 and 2021 are comprised of twenty-two and twenty-five interest rate swap agreements, respectively. The Credit Union had interest rate floor agreements that were sold in May 2020 for a gain of approximately $9,374,000 which was recorded to AOCI and accreted to interest income over the remaining term of the floor agreements or through April 2022.

Interest rate derivative assets are included in Other Investments in the consolidated statements of financial condition. Interest rate derivative liabilities are included in accrued interest expense and other accrued liabilities in the consolidated statements of financial condition.

Note 10 - Derivatives (Continued)

The following table summarizes the fair value of interest rate swaps and floors on a gross basis as of December 31:

	As of December 31, 2022		
		Fair Value	
	Notional/ Contract Amount	Gross Derivative Assets	Gross Derivative Liabilities
Risk management purposes			
Derivatives designated as hedging instruments			
Interest rate contracts:			
Swaps – fair value – pay fixed/receive floating	$425,132,000	$54,262,577	$—
Total risk management purposes	$425,132,000	$54,262,577	$—

	As of December 31, 2021		
		Fair Value	
	Notional/ Contract Amount	Gross Derivative Assets	Gross Derivative Liabilities
Risk management purposes			
Derivatives designated as hedging instruments			
Interest rate contracts:			
Swaps– fair value – pay fixed/receive floating	$497,412,000	$17,666,587	($1,963,312)
Total risk management purposes	$497,412,000	$17,666,587	($1,963,312)

The Credit Union's strategy with the swaps is to hedge the interest rate risk associated with specific fixed-rate member loans or available for sale securities. This strategy effectively swaps the fixed-rate interest income with variable-rate interest income thereby reducing the Credit Union's exposure to interest rate fluctuations. The Credit Union has elected to use fair value accounting for interest rate derivatives purchased prior to 2020. There were net gains realized on these derivatives of approximately $89,000 and $45,000 for the years ended December 31, 2022 and 2021, respectively. New derivatives transacted after January 1, 2021 have been designated as fair value hedges and effectiveness is being measured using the short cut method (see Note 1) which assumes perfect effectiveness. Total gains recognized on these swaps were approximately $34,558,000 and are included in Interest Income on the consolidated statements of income along with the offsetting $34,558,000 net loss on the underlying member loans and investment security assets. The Credit Union discontinued hedge accounting for $45,000,000 in interest rate swaps for the year ended December 31, 2022. The gain as of the termination date of hedge accounting was $5,197,000 and is being amortized over the remaining life of the agreements. As of December 31, 2022 the balance of the gain to be accreted to interest income is $5,069,000.

Note 10 - Derivatives (Continued)

Derivative Collateral

The Credit Union has interest rate hedges (swaps) with JPM and PNC Bank. These hedges required the initial and ongoing position of margin collateral. As of December 31, 2022, the Credit Union had cash collateral requirements with PNC Bank for approximately $22,150,000 and JPM for approximately $31,160,000.

Note 11 - Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC provides a framework for measuring fair value that requires an entity to derive fair value from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2), and the lowest priority to unobservable inputs (Level 3).

Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Level 3 inputs are unobservable inputs for the asset or liability which reflect the Credit Union's own assumptions about the assumptions market participants would use in pricing the asset or liability. Assumptions about risk include risk inherent in a particular valuation technique used to measure fair value, including pricing models and/or discounted cash flow methodologies.

Note 11 - Fair Value Measurements (Continued)

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Credit Union believes its valuation methods and associated inputs are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Certain assets and liabilities may be required to be measured at fair value on a non-recurring basis. These non-recurring fair value measurements usually result from the application of lower of cost or market accounting or the write-down of individual assets due to impairment. The description of the valuation methodology for assets measured on a non-recurring basis as of December 31, 2022 and 2021 is as follows:

<u>Non-recurring Basis</u>

Loan Participations Held for Sale – These loan participations are classified as Level 3 in the fair value hierarchy and are valued at the individual loan level using projected cash flows discounted to the implied forward Libor\Swaps curve, plus or minus any market-observed Option-Adjusted Spread (OAS).

<u>Recurring Basis</u>

The following is a description of the valuation methodologies used for these assets:

<u>Available for Sale Securities</u>

Asset-backed securities, Collateralized-mortgage obligations, SBA, Agency Securities and Corporate Notes – These securities are classified as Level 2 in the fair value hierarchy and are valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

<u>Other Assets/Liabilities</u>

Hedged Fixed-Rate Loans – These loans are classified as Level 2 in the fair value hierarchy and are valued based on LIBOR curve.

Interest Rate Swaps – These pay fixed, receive variable interest rate swaps are classified as Level 2 in the fair value hierarchy and are valued based on the LIBOR swap rate.

Interest Rate Floors – These contracts are classified as Level 2 in the fair value hierarchy and are valued based on movements in LIBOR indexed assets.

Note 11 - Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Credit Union's financial instruments at fair value on a recurring basis.

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Investment securities available-for-sale:				
Asset-backed securities	$—	$1,124,614,612	$—	$1,124,614,612
Collateralized mortgage obligations	—	1,160,711,373	—	1,160,711,373
SBA	—	23,925,959	—	23,925,959
Corporate notes	—	56,359,562	—	56,359,562
Agency securities	—	59,895,060	—	59,895,060
Hedged fixed-rate securities	—	319,560,776	—	319,560,776
Total investment securities available-for-sale	—	2,745,067,342	—	2,745,067,342
Loan Participations held for sale	—	—	1,341,826	1,341,826
Hedged fixed-rate loans	—	51,203,881	—	51,203,881
Derivative Assets:				
Interest rate contracts	—	54,262,577	—	54,262,577
Total assets at fair value	**$—**	**$2,850,533,800**	**$1,341,826**	**$2,851,875,626**
Derivative Liabilities:				
Interest rate contracts				
Total liabilities at fair value	**$—**	**$—**	**$—**	**$—**

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Investment securities available-for-sale:				
Asset-backed securities	$—	$1,794,229,327	$—	$1,794,229,327
Collateralized mortgage obligations	—	1,206,401,582	—	1,206,401,582
SBA	—	34,285,769	—	34,285,769
Corporate notes	—	14,035,120	—	14,035,120
Agency securities	—	69,891,899	—	69,891,899
Hedged fixed-rate securities	—	425,221,392	—	425,221,392
Total investment securities available-for-sale	—	3,544,065,089	—	3,544,065,089
Loan Participations held for sale	—	—	2,612,701	2,612,701
Hedged fixed-rate loans	—	56,294,060	—	56,294,060
Derivative Assets:				
Interest rate contracts	—	17,666,587	—	17,666,587
Total assets at fair value	**$—**	**$3,618,025,736**	**$2,612,701**	**$3,620,638,437**
Derivative Liabilities:				
Interest rate contracts	—	1,963,312	—	1,963,312
Total liabilities at fair value	**$—**	**$1,963,312**	**$—**	**$1,963,312**

Note 11 - Fair Value Measurements (Continued)

The following table represents a reconciliation for all non- recurring Level 3 assets and liabilities:

	For the years ended December 31,	
	2022	**2021**
Balance, beginning of year	$2,612,701	$—
Purchases	—	2,911,550
Repayments	(1,234,967)	(286,278)
Change in unrealized gains/(losses)	(35,908)	(12,571)
Balance, end of year	$1,341,826	$2,612,701

Note 12 - Changes in Accumulated Other Comprehensive Income/(Loss)

The following table presents the changes in accumulated other comprehensive income/(loss) by component for the years ended December 31, 2022 and 2021:

	Unrealized (Losses)/Gains on Available-for-Sale Securities	**Unrealized (Losses)/Gains on Derivatives**	**Total**
Balance, December 31, 2020	$18,059,317	$6,278,435	$24,337,752
Other comprehensive gains/(losses) before reclassifications	(14,572,545)	—	(14,572,545)
Amounts reclassified to consolidated income statement	—	(5,044,586)	(5,044,586)
Balance, December 31, 2021	3,486,772	1,233,849	4,720,621
Other comprehensive gains/(losses) before reclassifications	(76,660,440)	—	(76,660,440)
Amounts reclassified to consolidated income statement		(1,233,849)	(1,233,849)
Balance, December 31, 2022	($73,173,668)	$—	($73,173,668)

Note 13 - US Central Estate Settlement

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to capital holders of the U.S. Central Asset Management Estate (AME). The Credit Union holds a 13.2% interest in the U.S. Central AME which is valued at approximately $1.7 billion, resulting in total expected recovery to the Credit Union of approximately $222 million. The Credit Union received two distributions for the year ended December 31, 2021 totaling $122,000,000. For the year ended December 31, 2022, the Credit Union received two additional distributions totaling approximately $89,400,000. The Credit Union expects to recover the remaining balance of its interest in the USC AME in 2023. Details on the recovery and value returned to membership are shown below:

	2022	**2021**	**Total**
Total AME Distribution	$89,418,284	$122,116,014	$211,534,298
Waived billed fees	$—	($2,126,339)	($2,126,339)
Gain on USC Estate Settlement (1)	$89,418,284	$119,989,675	$209,407,959
Special PCC Dividend (2)	$36,854,703	$49,139,764	$85,994,467

(1) Refer to Consolidated Statements of Income
(2) Refer to Consolidated Statements of Members' Equity

* * * End of Notes * * *

DoerenMayhew
CPAs AND ADVISORS

305 West Big Beaver Rd., Ste. 200
Troy, Michigan 48084
248.244.3000
doeren.com

Independent Auditor's Report

To the Supervisory Committee, Board of Directors
and Management of Alloya Corporate Federal Credit Union

Opinion on Internal Control Over Financial Reporting

We have audited Alloya Corporate Federal Credit Union's internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, Alloya Corporate Federal Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the consolidated financial statements of Alloya Corporate Federal Credit Union, and our report dated February 23, 2023 expressed an unmodified opinion.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of Alloya Corporate Federal Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

To the Supervisory Committee, Board of Directors
and Management of Alloya Corporate Federal Credit Union

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting (Continued)

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (*1*) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (*2*) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (*3*) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Doeren Mayhew

Troy, Michigan
February 23, 2023

Corporate Federal Credit Union

Corporate Headquarters:
184 Shuman Boulevard, Suite 400 • Naperville, IL 60563-8406
Phone: (800) 782-2431 • Fax: (518) 292-3796
www.alloyacorp.org

Alloya Corporate Federal Credit Union
Management Report on Annual Report
2022

We, the undersigned, certify that:

1. We have reviewed the annual report (2022 audited financial statements) of Alloya Corporate Federal Credit Union (Alloya);

2. Based on our knowledge, the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of Alloya as of, and for, the periods presented in the report;

3. We, the certifying officers, are responsible for preparing Alloya's annual financial statements, including reports filed in accordance with regulatory reporting (based on the 5310 Corporate Credit Union Call Report Instructions), for establishing and maintaining an adequate internal control structure and procedures for financial reporting, and for complying with the laws and regulations relating to safety and soundness in the following areas: affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends, and regulatory reporting that meets full and fair disclosure and have:

    a. Designed such internal controls over financial reporting, or caused such internal controls to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and regulatory purposes in accordance with the 5310 Corporate Credit Union Call Report Instructions, utilizing the COSO (2013) internal control framework;

    b. Evaluated the effectiveness of such internal controls and procedures; and

    c. Concluded that there were no material changes or weaknesses in financial reporting, including reports filed in accordance with regulatory reporting (based on the 5310 Corporate Credit Union Call Report Instructions), and internal controls that materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting in 2022, and, based on our knowledge, that Alloya is in compliance with the above designated safety and soundness laws and regulations during 2022.

Date: February 23, 2023

Todd M Adams

Todd M. Adams, CEO

DocuSigned by:
Tracy Lafferty
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Tracy Lafferty, CFO