

# Supporting Credit Union Success

**REPORT TO THE MEMBERSHIP**

*2022 in Review*

Our job is to make your job easier.



## 2022: YEAR-IN-REVIEW

I am pleased to report that Alloya had another outstanding year of performance while adjusting to a rapidly rising interest rate environment and increasing liquidity needs of our member credit unions. Alloya's mission is to support credit union success while advancing all three of our strategic goals: People and Culture, Member Service, and Financial Performance and Compliance.

### PEOPLE & CULTURE

#### *People Helping People*

#### *International Conflict*

With people and purpose as a focus, credit unions consistently pursue opportunities to help, give back and do more during times of need.

When Russia invaded Ukraine last February, Alloya responded immediately by waiving all wire fees for member credit unions with ties to Ukraine. These credit unions serve many U.S. citizens that emigrated from Ukraine, yet still had family abroad who needed financial support to get out of harm's way. Alloya waived over \$100,000 in fees for these international wire payments. We also invited the World Council of Credit Unions to our monthly staff meeting in May 2022 to help us learn about the Ukrainian Credit Union Displacement Fund and Task Force. In support of the World Council's efforts and the 300 Ukrainian credit unions in the World Council, Alloya contributed a donation of \$50,000.

#### *Alloya Cares Employee Donation Program*

A program first launched in April 2020, the Alloya Cares Employee Donation Program matches the donations made by our employees to any 501(c)(3) charity. The causes that are meaningful to Alloya's professionals become causes that matter to the corporate, too. In 2022, a collective \$96,550 was donated to 87 unique charities. Here are just a few stories that employees shared with their donations.

#### *American Lung Association | Livonia, MI*

"As many people know, I am the recipient of a double lung transplant. I have been blessed beyond words to be alive today because of this. I made this donation in support of the American Lung Association's 'Lung Force Walk,' which raises money for lung disease awareness and cures for those that are not as fortunate as I have been." – Paul DeWyse, Vice President, Corporate Development

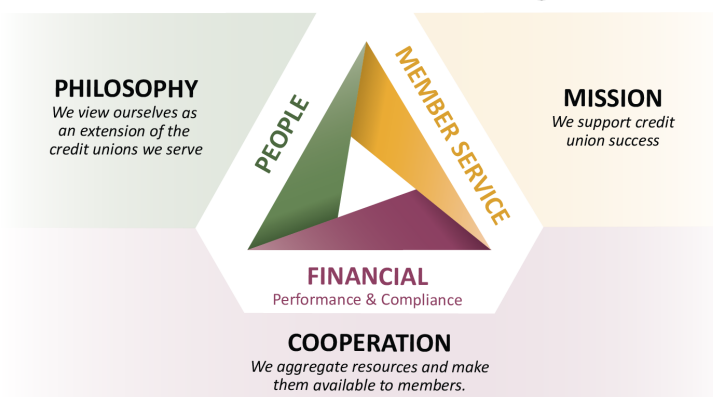


#### *UNICEF | New York, NY*

"As tensions escalated in eastern Ukraine, UNICEF ramped up efforts to deliver aid to hundreds of thousands of children and families whose lives and futures hang in the



## The Heart of Alloya's Strategic Plan



#### RESPECT

Act in ways that show you care

#### INTEGRITY

A commitment to safety and soundness in all we do

#### SERVICE

Look for opportunities to do more than simply what is expected

#### ENGAGEMENT

Believe in what you are doing and demonstrate energy and passion for what you do



balance. UNICEF is working to ease extreme hardships brought on by seven years of armed conflict and to meet urgent and escalating needs for safe water, health care, nutrition and protection.”

– James Lentz, Infrastructure Manager

### **American Heart Association | Dallas, TX**

“Heart and stroke issues have affected both family and dear friends, most recently a friend that emigrated to the U.S. at just 14 years old with his 16-year-old brother during World War II. He built a life from little and raised a beautiful family. He suffered several heart issues over the years, but it didn’t stop him from him giving his ‘heart’ to others and giving us great memories.”

– Ann McNaughton, Technical Manager, Compliance



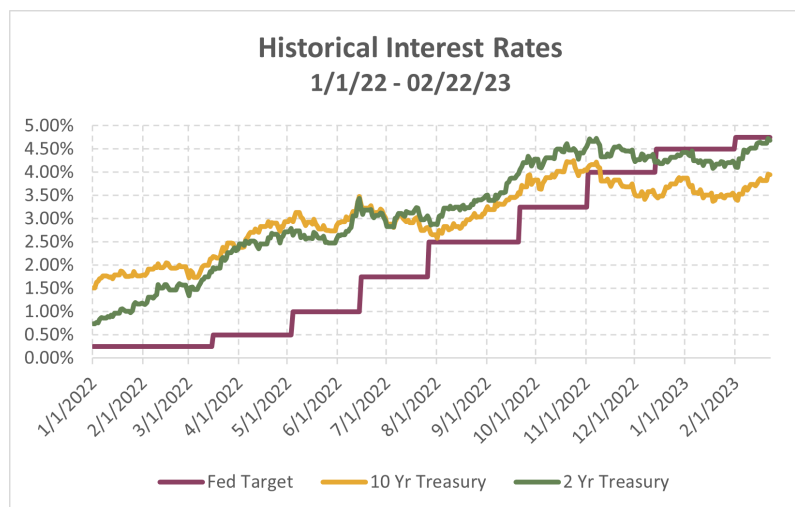
### **The Great Retention**

While many organizations have suffered significant turnover, a trend that’s become widely known as “The Great Resignation,” Alloya experienced what I call “The Great Retention.” We saw minimal turnover while expanding our team to include 22 new, talented employees. As we continue to hire and retain staff, we are committed to pursuing our four organizational values: respect, integrity, service and engagement. Today, Alloya proudly employs 170 professionals representing 23 states. Our collective service amounts to nearly 2,000 years, with an average tenure of 12 years! We use Gallup’s Q12 Employee Engagement Survey to benchmark ourselves against other employers and are pleased that the 2022 results indicate Alloya remains a top-tier employer of choice by ranking within the top 85th percentile of U.S. organizations.

## **MEMBER SERVICE**

### **Short-Term Interest Rates Rise Rapidly**

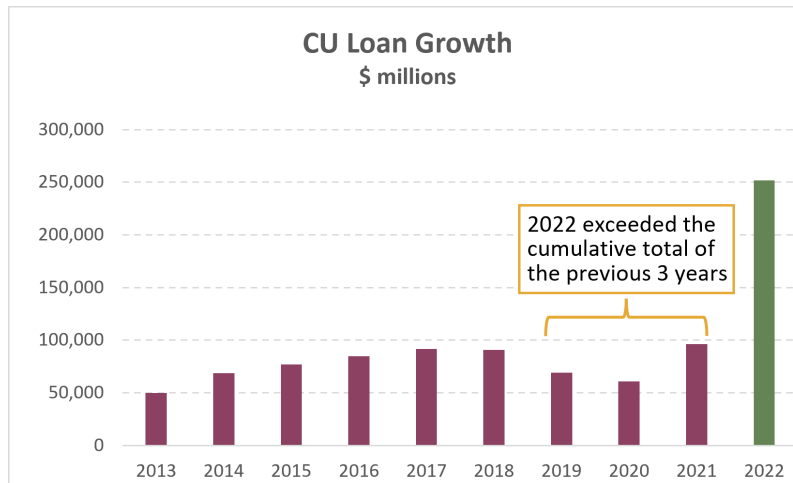
2022 represented a year unlike any other in Alloya’s 11-year history. Inflation soared and the short-term interest rates increased at a pace last experienced in the early 1980s – way before some of our talented young credit union professionals were even born!



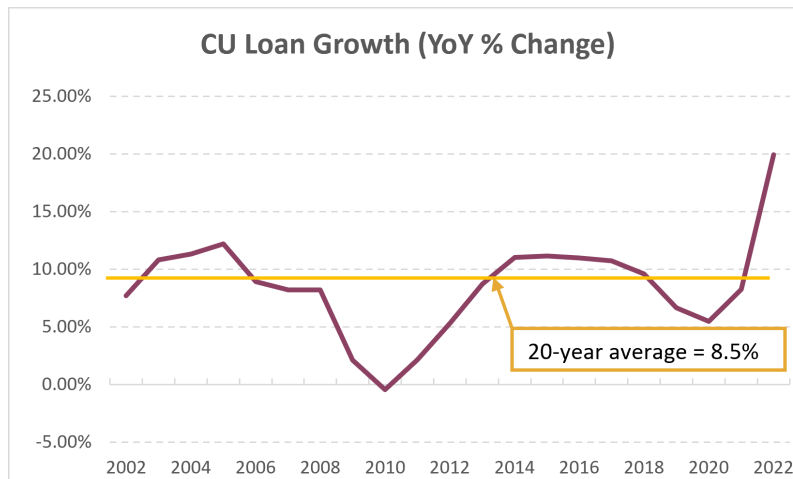
Many credit unions use Alloya as their primary short-term cash manager. As short-term interest rates rose throughout the year, Alloya immediately responded to the Federal Reserve’s actions by increasing the rate paid on member deposits. During 2022, Alloya paid \$52 million of dividends on regular member deposits compared to \$6 million the prior year.

### Liquidity Solutions

One of Alloya's primary reasons for existence is to provide credit union members with dependable, affordable and convenient access to liquidity. During 2022, Alloya's Advised Line of Credit solution was accessed by a record number of credit union members. As the Federal Reserve aggressively raised interest rates, natural person credit union members found great value in loans offered by their credit union. The chart below says it all – credit unions' loan growth in 2022 exceeded the total gained in the preceding three years combined.



Looking back over the past 20 years, the rate of loan growth during 2022 is even more evident.



To fund the loan growth, credit unions used excess cash reserves and accessed their lines of credit. In 2022, Alloya funded over 15,000 line advances, averaging nearly \$1 billion on a daily basis and peaking at \$1.3 billion. While many credit unions are able to borrow from the Federal Home Loan Bank for term liquidity, Alloya can also provide term lending options in addition to operational lending. Many members found this valuable during 2022, especially when pledging non-mortgage collateral such as auto loans. Alloya then utilizes derivative capabilities to hedge any associated interest rate risk.

Alloya offers much more than advised lines when credit unions need liquidity. Through the SimpliCD program, Alloya helped credit union members raise over \$1.3 billion by issuing brokered certificates of deposit. Alloya has also helped credit unions sell over \$2.0 billion in loans through our industry-leading Loan Participation Program.

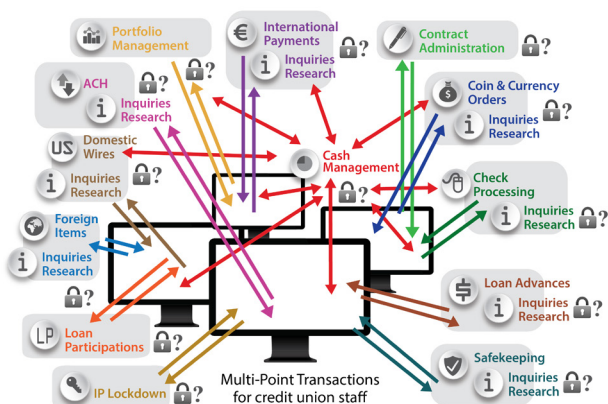
During 2022, Alloya completed the first-ever syndicated credit facility for a large CUSO and the first-ever subordinated debt secondary trade – effectively creating new markets that previously never existed. If liquidity planning is a strategic priority, think Alloya first and give our team of professionals a call as we also helped credit unions evaluate sales of marketable securities and explore membership in the Central Liquidity Facility.\*

For those credit unions that have excess cash, now is a great opportunity to build a portfolio of high-performing assets and Alloya provides a comprehensive set of investment tools ranging from investment accounting and analytics to efficient solutions through Premier View, including marketable securities, certificates of deposit and loan participations. Credit union CFOs can go to one place, Premier View, to compare risk and return options.

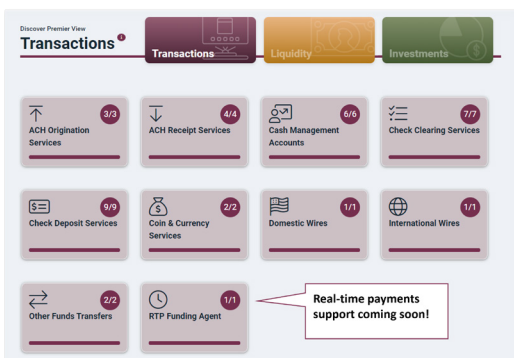
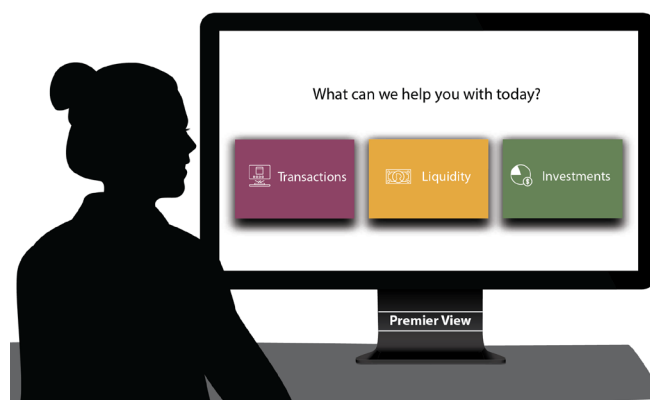
### High Inflation & Expenses

Inflation eclipsed 40-year highs in 2022, peaking at 9.1% in June. In a high-inflationary environment, rising prices erode the purchasing power of some consumers and businesses, while disproportionately affecting some more than others. Together with Alloya, credit unions have the power to combat high inflation and expenses with technology. Credit unions who go it alone have many vendor relationships to manage, accounts to reconcile, contracts to administer and bills to pay.

A credit union's back-office life without Alloya



A credit union's efficient back office with Alloya



Alloya's objective is to simplify the operational lives of the credit unions we serve. Our technology is strategically designed to help credit unions streamline their day-to-day responsibilities while realizing expense efficiencies. We offer secure and convenient access to our services through our one-stop transaction system, Premier View, to help credit union professionals accomplish their daily back-office activities all in one location.

Alloya continues to invest and innovate around our Premier View technology and adds content that greatly simplifies several back-office credit union functions. Premier View access is even an outstanding resource for credit unions that may be looking for an efficient back-up and recovery solution for these key activities.

When staffing levels are strained, credit unions can depend on Alloya's team to act as an extension of their back office. For example, credit unions who might be struggling to maintain a dedicated team of ACH professionals can outsource that service to Alloya. Our team of five ACH professionals is devoted to supporting the ACH needs of nearly 650 credit unions who lean on us for their processing, returns and adjustments. The same applies for cash management, funds transfer, check processing and more.

When questions arise, our team will answer the phone. Seven out of 10 calls are resolved while the member is on the phone with Alloya's Member Service representatives. There are many companies that offer great technology, but seldomly pair it with high-quality customer service. Alloya offers the best of both worlds! It's an investment that differentiates us. We stand firm that we offer great technology but when you call us, there will be a real person on the other end of the line for you, ready to help in four seconds or less.

#### ACH

With the support of **five** Alloya professionals, **646** credit unions process their ACH transactions.

#### Coin and Currency

With the support of **eight** Alloya professionals, **586** credit unions manage their coin and currency.

With the support of **eight** Alloya professionals, **1,255** credit unions process their international and domestic wires.

#### International and Domestic Wires

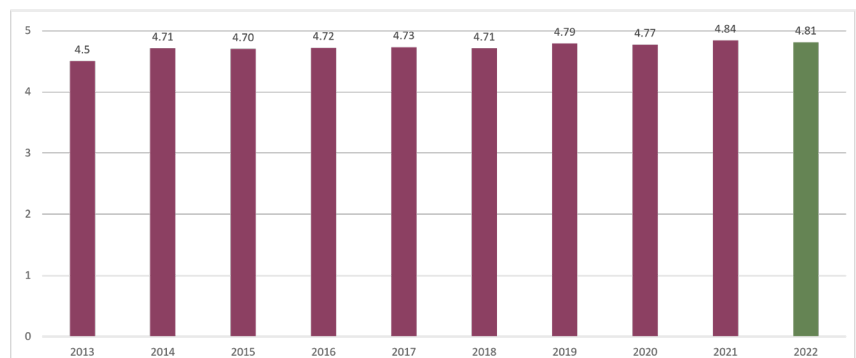
With the support of **10** Alloya professionals, **867** credit unions process checks – including remote deposits and share drafts.

#### Remote Deposits and Share Drafts

### Member Survey Scores

Alloya saw another record year of scores in the results of the annual Member Survey, conducted in September 2022. On a scale of five, members ranked Alloya at 4.81. This is a reflection of the efforts of 170 people who work together to support credit union success. Our professionals view themselves as an extension of the departments at our member credit unions.

### Member Survey Scores Remain at All-Time Highs



## FINANCIAL PERFORMANCE & COMPLIANCE

### *Safe, Secure & Relevant*

Alloya remains safe, secure, relevant and compliant with all rules and regulations. Alloya's core net income was \$35 million for 2022 and has been profitable every single month since our inception over 11 years ago. Total assets were \$6.2 billion, including \$2.6 billion of cash as of December 31, 2022, and over 50% of credit union members accessed their Advised Line of Credit at least once during the year.

### *Dividends on Perpetual Contributed Capital*

In addition to the \$52 million of dividends paid on regular shares and certificates, Alloya also paid nearly \$43 million, an effective dividend rate of 17.25%, on Perpetual Contributed Capital (PCC) during 2022. 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.

### *Retained Earnings Milestone*

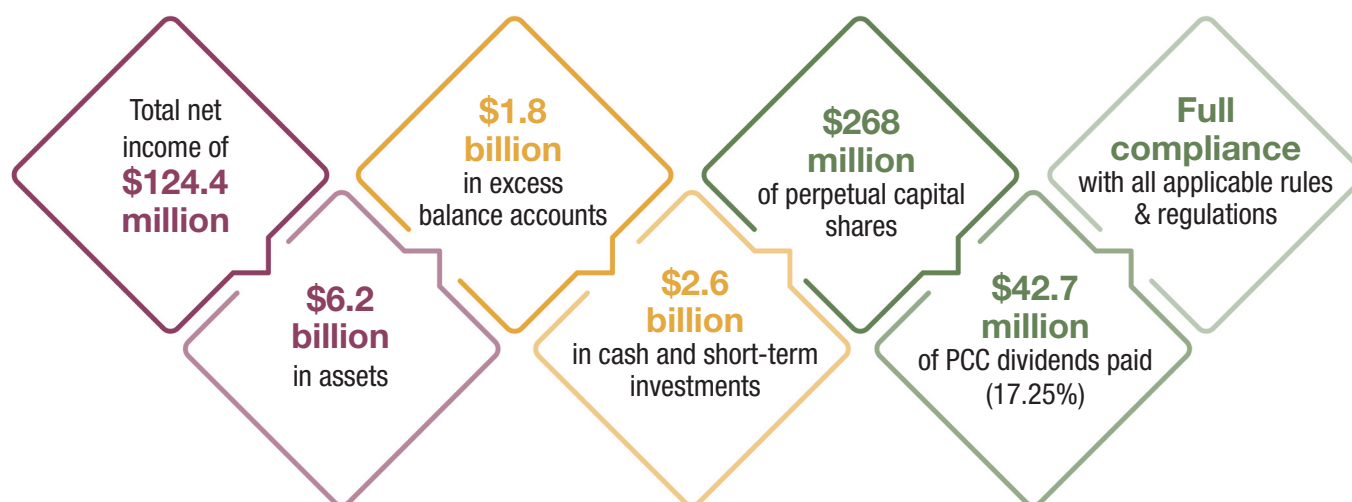
When Alloya was launched in 2011, we had a long-range goal to achieve a 4% retained earnings ratio, and we achieved that ratio in 2022. Retained earnings of \$291 million combined with PCC of \$268 million brings total capital to \$559 million as of December 31, 2022, which provides a strong financial foundation for Alloya and our member credit unions.

### *Regulatory & Risk Compliance*

Alloya is committed to ensuring safety and soundness in all that we do. That starts and ends with remaining compliant with all rules and regulations.

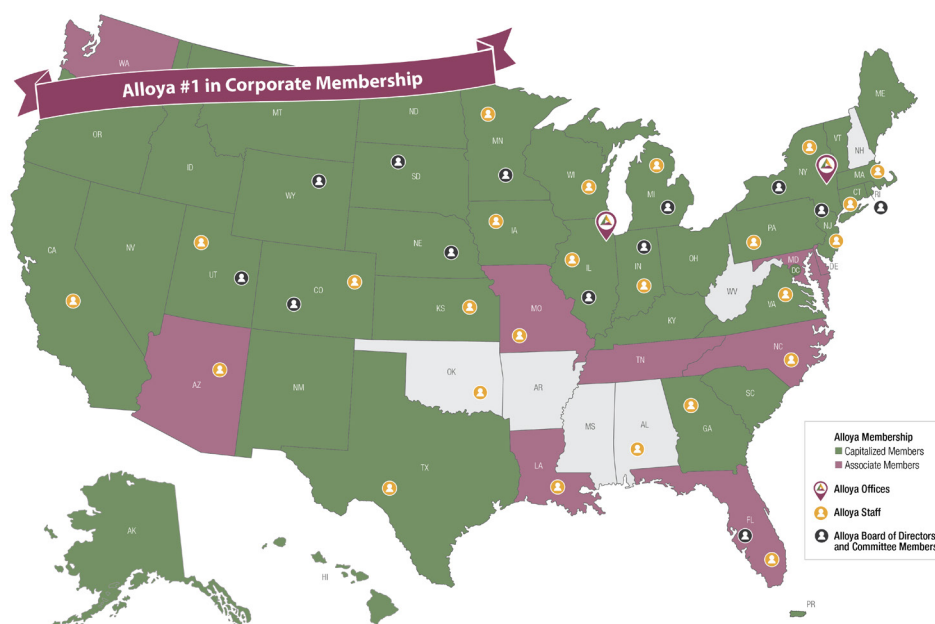
## 2022 Financial Highlights

Underscoring Alloya's Commitment to Safety, Security & Relevance



## 2023 PREVIEW

There's 11 corporate credit unions like Alloya across the country, and Alloya continues to serve more members than any other corporate. In the map to the right, green and berry-shaded states represent states where Alloya serves Capital and Associate Members. The gold circles represent states where our professionals are located. This illustrates how Alloya has evolved over the past few years to become a national corporate credit union.



### Liquidity Access

Continuing the trend from 2022, Alloya believes credit unions will continue to have significant borrowing needs in 2023 until the Federal Reserve discontinues raising interest rates. Alloya is committed to helping credit unions access liquidity through lines of credit, loans (both overnight and term), emergency liquidity, non-member deposit issuance, loan participations and now subordinated debt issuance – all under one roof!

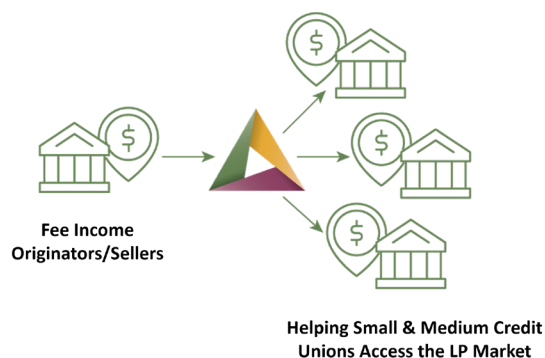
I have always said I would rather lend to a credit union than purchase an investment. We will continue to serve as a reliable liquidity source for credit unions and remain well-positioned to meet credit unions' liquidity needs.

### Loan Participations

Long ago, Alloya identified a need in the loan participation space. Where one credit union saw booming loan demand, another credit union had cash to invest in loans. These transactions are very complex, requiring significant legal and analytical work. These obstacles have historically prevented small- and medium-sized credit unions from accessing the marketplace.

As such, Alloya spent two years developing a platform that makes loan participations simple and accessible for credit unions of all sizes. While there are fintechs threatening to invade this space, Alloya has built a solution that is solely focused on credit union success. We are approaching \$1.4 billion in assets under management on the Loan Participation Platform, and as we look ahead 10 years, this market is likely to easily reach \$5-10 billion.

### 2023 = A Great Time to Be a Buyer!



### ***Faster Payments***

The Federal Reserve is nearing completion of its real-time payment system, the FedNow<sup>SM</sup> Service. This will represent a major upgrade to the U.S. payment systems and Alloya is dedicating significant resources to be in a position to help credit unions access this new technology when it becomes available. In addition to the ongoing education offered through Alloya Insights: Faster Payments in 2023, Alloya will introduce real-time settlement and payment processing for both FedNow<sup>SM</sup> and The Clearing House's RTP<sup>®</sup> network. Alloya is also evaluating a P2P payment application that credit unions will be able to offer their members for real-time payment access for both FedNow<sup>SM</sup> and RTP<sup>®</sup>. More information about these solutions will be coming soon!



### ***QCash Through Alloya***

In May 2022, Alloya announced a strategic partnership with QCash Financial, a credit union service organization offering a relationship-based lending platform that reduces friction in the lending process and gives natural person credit union members access to safe and affordable small-dollar loans. This helps credit unions practice financial inclusion, serve the underbanked and say “yes” more often through QCash’s patented relational underwriting rather than traditional credit scores.



QCash’s software-as-a-service (SaaS) application integrates with the credit union’s core processor, online banking and mobile banking platforms, making the lending process easy for both the credit union and the consumer. Together with QCash, members of Alloya are able to drive financial inclusion through QCash’s life event, specialty and financial first responder loans. For individuals who cannot qualify for traditional lending options, QCash is life-altering. Now, credit unions can be a source of hope for people in their time of need.

### ***Unmatched Education***

Every year, Alloya’s Link education series offers credit union members free access to sessions focused on leadership and strategic thinking.



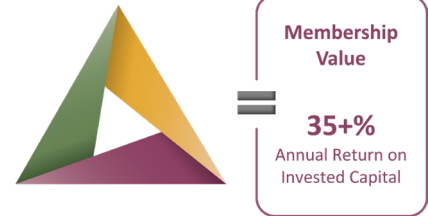
Alloya’s Leadership Symposium will return to Las Vegas from September 6-8, 2023 for its ninth annual celebration! Speakers will include Duncan Wardle, former Head of Innovation & Creativity for Disney; Alex Sheen, founder of “Because I Said I Would”, social entrepreneur, author and humanitarian; and more! The Symposium agenda will also feature a reception and dinner at Eiffel Tower Restaurant and the return of Alloya’s Football Night at Black Tap.

Alloya’s Training Department has resumed live training and recently announced opportunities for personalized trainings, where credit unions can request one-to-one or small-group training between their credit union employees and Alloya’s experts.

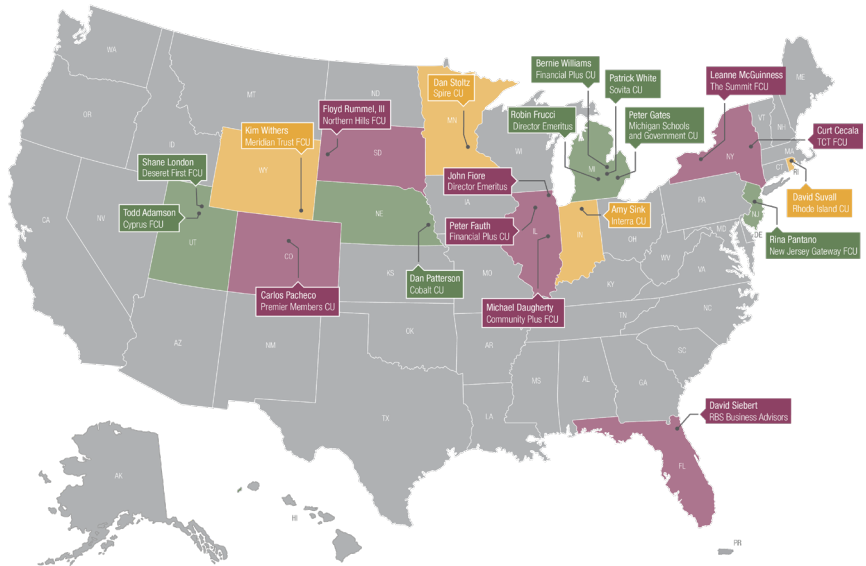


## CONCLUDING COMMENTS

Alloya's value proposition remains high, and the collective credit union future looks bright. We will continue to attract, hire and retain the best team of professionals; we will continue to offer and create the best technology, focused on greatly simplifying credit unions' back-office operations; and we will continue to deliver unmatched standards of member service.



I would also like to take a moment to thank our talented team of credit union volunteers that serve on Alloya's Board of Directors and governance committees. These individuals represent respected leaders from throughout the membership base that help guide and evolve Alloya's strategic plans. In addition to supporting Alloya and their individual credit unions, many also volunteer their time to support other CUSOs and philanthropic endeavors within their communities.



Please visit Alloya's website to find more information on education and training opportunities, financial information, upcoming events, and operational highlights.

Thank you for your continued support.

Sincerely,

**Todd M. Adams**  
Chief Executive Officer

*For financial and operational highlights, see next page.*

## Operational and Key Product Highlights

Financial Highlights - as of 12/31/22	
Net income	\$124.4 million
Retained earnings and other equity	\$291 million
Total GAAP equity	\$486 million
Total assets	\$6.2 billion

Ratios - as of 12/31/22	
Retained earnings and other equity ratio	4.57%
Regulatory capital ratio	8.47% (NCUA well-capitalized requirement of 5.0%)

Key Product Highlights - as of 12/31/22	
<b>Loans</b>	
Loans outstanding	\$514.9 million
Advised Lines of Credit	\$12.7 billion
Number of line advances	15,287
Total advances	\$42.4 billion
Percentage of credit unions taking an advance	64% (795 members)
<b>Loan Participation (2022)</b>	
Number of deals supported	141
Average participation	\$3.6 million
Dollar amount	\$1.036 billion
<b>Loan Participation (in aggregate)</b>	
Number of deals supported	503
Average participation	\$3.8 million
Total volume	\$3.12 billion
<b>Shares</b>	
Shares and certificates of deposit	\$4.5 billion
EBA program	\$1.8 billion
<b>Transactions</b>	
Checks processed	145 million for \$183 billion
Check Clearing Services	84 million for \$92 billion
Check Deposit Services	61 million for \$91 billion
ACH transactions	170 million for \$230 billion
Coin & Currency deliveries completed	83,841 for \$11.5 billion
Wires processed	413,652 for \$3 trillion

**Operational and Key Product Highlights** *(continued)*

<b>Key Product Highlights as of 12/31/22 (continued)</b>	
<b>Alloya Solutions, LLC / Alloya Investment Services*</b>	
<b>Investment Accounting</b>	
Number of credit unions	143
Number of investment positions	18,100
Par value of the positions	\$12.1 billion
Marketable securities	Gross par value of \$2.4 billion
<b>SimpliCD</b>	
CD sales	\$1.6 billion
Funds raised through the CD issuance program	\$1.3 billion

<b>Premier View Transaction Totals</b>	
Corporate ACH	2,424,618
Member Adjustments	218,733
Domestic Wire In	181,699
Domestic Wire Out	218,755
Share-to-Share Transfer	95,991
Coin & Currency	83,882
Member-to-Member In	18,541
Member-to-Member Out	18,542
International Wire Out	25,123
Service Wire In	9,674
Service Wire Out	2,440
Share-to-Loan Transfer	7,888
Loan-to-Share Transfer	3,939
Cash Concentration Transfer	1,522
Corporate Wire Out	2,314
Security Purchase	2,747
Security Sale	533
Certificate Purchase <i>(regular)</i>	2,708

<b>Educational Outreach</b>	
<b>Education Webinars</b>	
Link Events	9 / 652 attendees
Special Webinars	8 / 578 attendees
Training Webinars	204 / 3,313 attendees
Symposium Attendees	In-person and virtual: 230 attendees

**Operational and Key Product Highlights** *(continued)*

<b>Technology and Call Center Highlights</b>	
<b>Premier View</b>	
Number of users with authorities in the system	25,679
Number of pages accessed each year	107 million
Line of code supported	1.7 million
<b>Member Call Center</b>	
Calls completed <i>(incoming &amp; outgoing)</i>	80,413
Average wait time to answer	3.29 seconds
Abandon rate	0.04%
First call resolution	70%
Tickets completed	16,416
Responses to member emails <i>(per year)</i>	14,161
Responses to member chats <i>(per year)</i>	860
<b>Fraud Prevention</b>	
Dollar amount Alloya saved members in fraud loss	\$2.8 million recovered / \$884,050 prevented
Number of fraud attempts caught and prevented	73

*\*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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