

# Supporting Credit Union Success

**REPORT TO THE MEMBERSHIP**

*2023 in Review*

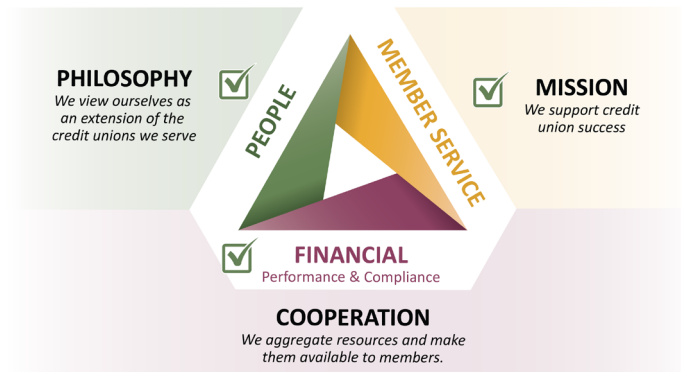
Our job is to make your job easier.



Thanks to the continued support of our membership, 2023 was another outstanding year of performance at Alloya! The corporate remained a top-tier employer of choice, member survey scores set new records, financial targets were exceeded, and compliance was maintained with all applicable rules and regulations.

### 2023 Business Plan Highlights

- Remained a top-tier employer of choice.
- Earned record member survey scores.
- Achieved record core net income of \$73 million.
- Built and deployed our own core data processing system, Premier Core.
- Helped credit unions begin to connect with the FedNow® Service.
- Completed investments in three technology companies for Alloya's Member Solutions strategy.
- Achieved a 4% retained earnings ratio while sharing refunds from the U.S. Central Asset Management Estate.
- Hosted another successful Leadership Symposium and other high-value education events.
- Received outstanding audit and compliance results.



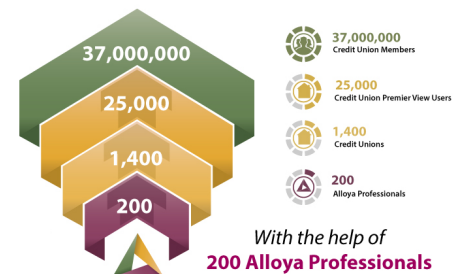
## MISSION ACCOMPLISHED!

### CREDIT UNIONS HAVE BUILT A COOPERATIVE FINTECH

Alloya is an outstanding example of a leading fintech that remains 100% focused on supporting credit union success. By working together, 1,400 credit unions efficiently serve 37 million natural person members through their common bond with Alloya.

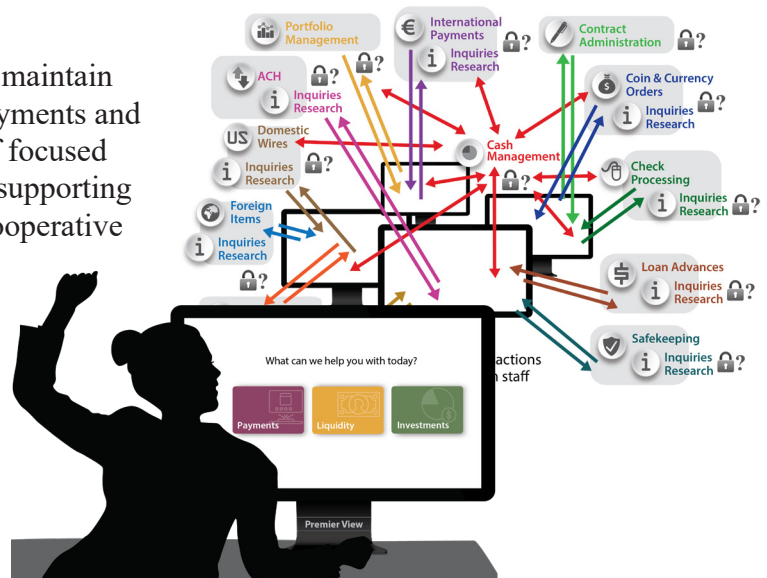
Specifically, approximately 25,000 credit union professionals access Alloya's Premier View technology to process wires, ACH, checks, currency and international payments that are initiated by the 37 million members those credit unions support.

How can 1,400 Credit Unions support 37,000,000 Credit Union Members?



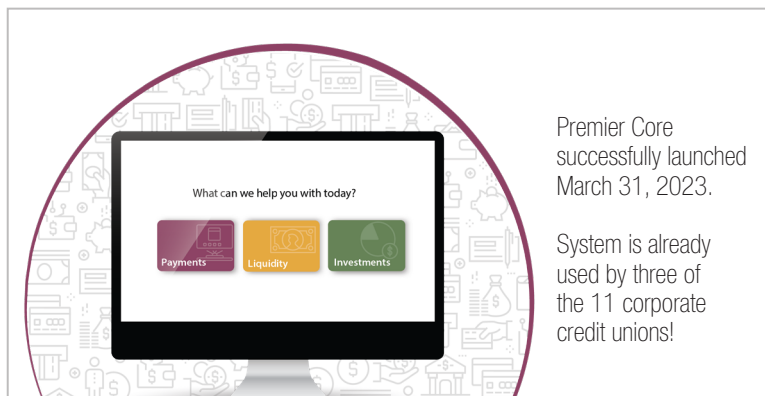
### It Started With Premier View

Without Alloya, each credit union would need to maintain multiple vendor relationships to process these payments and manage their back office. Through many years of focused work, credit unions have solved this problem by supporting Alloya and providing direction as the financial cooperative built Premier View, credit unions' efficient correspondent technology. Instead of managing multiple, complex relationships, credit unions can perform all activities through one simplified relationship with a cooperative partner that is focused 100% on their success.



### Premier Core Launched in 2023

But Alloya did not stop there. After two years of development and construction by the in-house technology team at Alloya, we deployed our own core processing system on March 31, 2023. This system, which we call Premier Core, is the engine behind Premier View. While this technology is less visible to most credit union members, it serves as a foundation for Alloya's membership. Who else has built and installed their own core system? Through Alloya, credit unions can make this claim.



Premier Core has streamlined and simplified how members and corporate staff engage with the core processing system, improved efficiencies in transaction processing and fortified the foundation for Alloya to support credit union transaction processing (including real-time payments!) for decades to come.

### Member Solutions Launched in 2023

But Alloya did not stop there either. During 2023, Alloya completed investments in three companies that enabled us to launch a new set of capabilities: **Member Solutions**.

To date, most of Alloya's core services have focused on providing highly efficient business-to-business (B2B) solutions for credit unions. Now, Member Solutions are Alloya's first efforts to provide credit unions with a set of efficient and effective business-to-consumer (B2C) services. The technology, and the partners selected, are designed to help credit unions better connect with their members through improved lending and payment experiences.

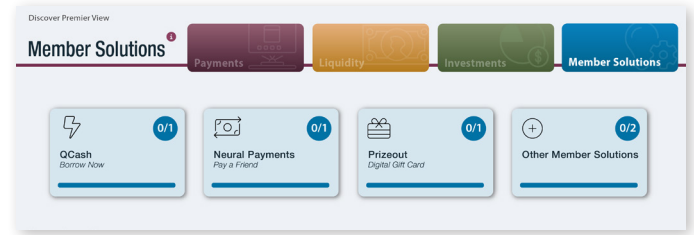


- With QCash, a natural person member can apply for an unsecured loan 24/7 and have the transaction approved and funded within 60 seconds. Members no longer need to physically visit a credit union branch, fill out a form and wait for approval. QCash saves the credit union processing costs while providing the member with a much-improved, tech-forward experience.
- With Neural Payments, a natural person member can instantly and seamlessly pay a friend or family member directly from the credit union's digital banking app without having to worry about their recipient's preferred payment channel or application. Alloya partnered with Neural Payments because of the frictionless experience provided by their technology.
- With Prizeout, a natural person member can purchase digital gift cards, with bonus offers funded entirely by participating merchants, boosting consumer purchasing power while also generating a new stream of revenue for the credit union.



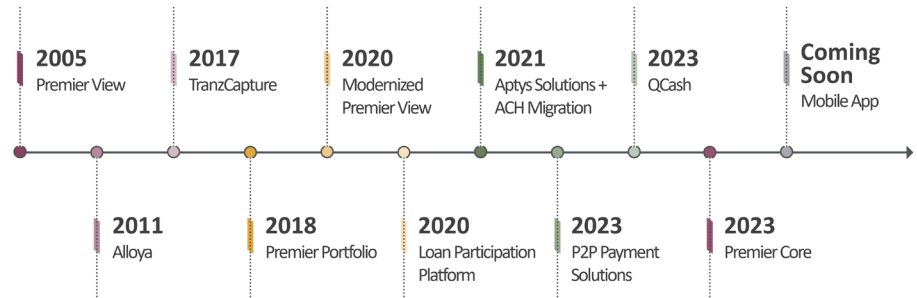
Alloya took these solutions one step further by inspiring cooperation between Neural Payments and Prizeout to create a solution that's even more powerful and efficient. Now, when a natural member sends a P2P payment using Neural Payments' technology, the receiver can not only direct the funds to their checking account through their debit card or transfer the funds to Venmo or PayPal, but also purchase a digital gift card with bonus offers.

Like Alloya's core B2B services, these Member Solutions are designed to be highly efficient and cost-effective for the credit union while providing the natural person member with an experience that they can't find anywhere else in the financial services marketplace.



### What's Next

In summary, thanks to the continued support of our credit union membership, Alloya has worked hard to advance our technologies to become an excellent example of a successful cooperative fintech – but we are not stopping here. A Premier View Mobile App is on its way in 2024!



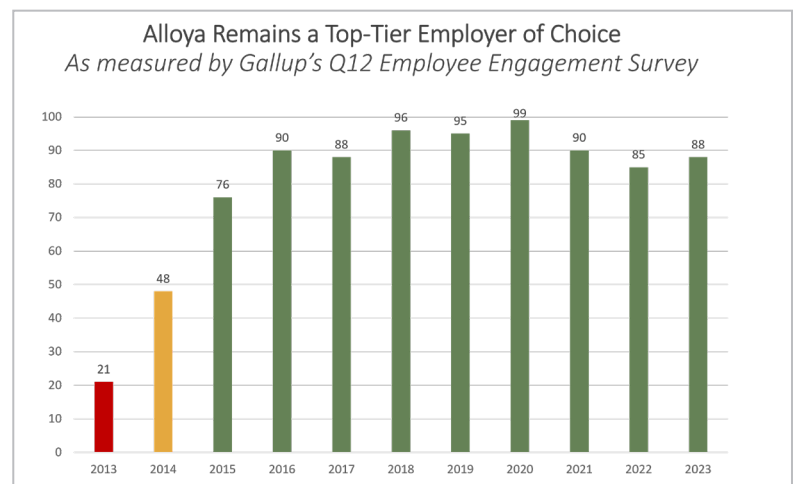
## 2023 STRATEGIC HIGHLIGHTS

### PEOPLE & CULTURE

#### Remaining a Top-Tier Employer of Choice

I'm pleased to report that this year's employee engagement scores have resumed their upward trend, with a score of 88 compared to last year's 85. Alloya remains a top-tier employer of choice and strives to hire and retain professionals that work hard, are experts in their field and, most importantly, believe in the mission to support credit union success.

While many companies characterize the past few years as the "Great Resignation," during this same period, Alloya can claim it has been the "Great Retention." Further, as Alloya has listened to the needs of our professionals and has embraced supporting remote work, we have been able to hire outstanding talent from across the country.



### MEMBER SERVICE

#### Setting New Records for Member Satisfaction

At Alloya, we strategically choose to complement our leading Premier View technology with high standards of member service. When you call Alloya, you reach a person – not a machine or a complex phone tree. We value your time and pride ourselves on sub-four-second wait times for incoming phone calls to our Member

Services team. In 2023, that average dropped to a record speed of 2.34 seconds! The Alloya professional that answers the call is trained and managed in-house to ensure your questions get reliable answers and issues are quickly resolved.

In reviewing the results of our 2023 Member Survey, members reinforced that our standards of excellence continue to meet your standards, too. A new record was set as member satisfaction jumped to 4.91 in 2023 from 4.81 the year prior.



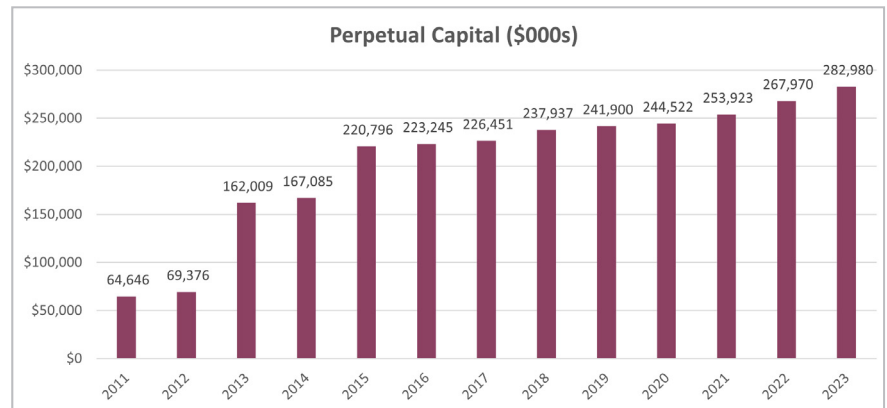
## FINANCIAL PERFORMANCE & COMPLIANCE

### Safe, Secure & Relevant

Alloya remains safe, secure, relevant and compliant with all rules and regulations. Alloya's net income was \$91.2 million for 2023. Subtracting the \$18.2 million gain from the U.S. Central Estate settlement, core net income totaled a record \$73.0 million. In addition, Alloya continued the streak of monthly profitability since inception over 12 years ago. Balance sheet highlights include total assets of \$6.2 billion, members' equity of \$598.3 million and cash of \$3.5 billion as of December 31, 2023. Alloya maintained a highly liquid balance sheet throughout 2023 and supported the membership as over 65% of credit union members accessed their Advised Line of Credit at least once during the year.

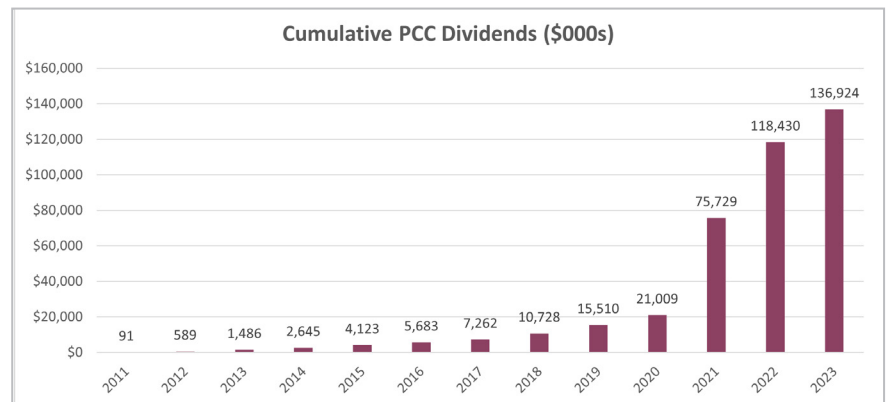
### Credit Unions Showing Support by Investing in Alloya's Perpetual Contributed Capital

Alloya launched in 2011 when credit unions invested \$64.6 million to charter and build a new corporate credit union. Over 12 years later, credit unions continue to find value in this business model as capital investment has continued to increase every year. As of December 31, 2023, capital now stands at \$283.0 million.



### Dividends on Perpetual Contributed Capital

In the early years of Alloya's formation, net income was retained to build a foundation for the business. As long-term capital goals were achieved, a core dividend was paid to Capital Members. Over time, Alloya has consistently provided a competitive dividend rate on members' Perpetual Contributed Capital (PCC) based on a long-term strategy to pay dividends based on earnings, providing a more stable and predictable return. In 2023, Alloya paid out \$6.2 million in PCC dividends to our valued Capital Members.





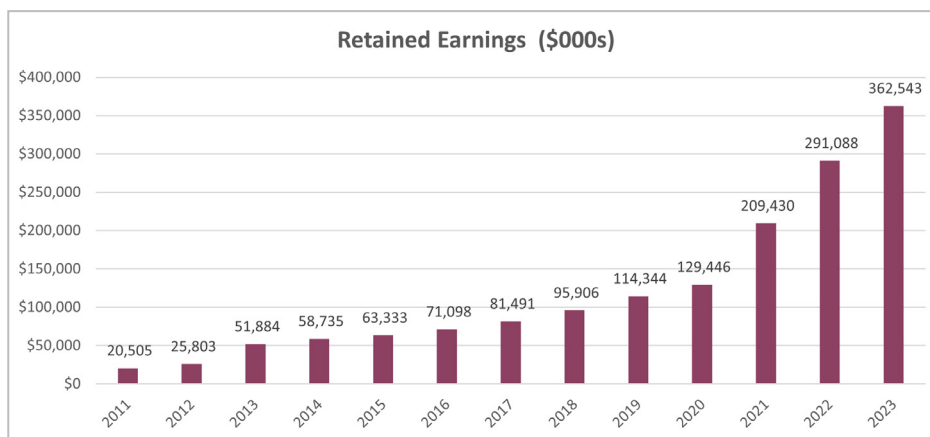
In addition to core dividends, Alloya shared a significant portion of our refunds from the U.S. Central Estate through special dividends.\* Over the past three years, Alloya has paid out \$98.3 million in special dividends on PCC. The multi-year plan was that Alloya would pay out 40% in total special dividends and we are pleased to report that it was carried out successfully.

U.S. Central AME Special Capital Dividends Supporting Credit Union Success		
August 2021	20% Dividend	\$49,139,763
March 2022	5% Dividend	\$12,284,901
September 2022	10% Dividend	\$24,569,801
March 2023	5% Dividend	\$12,284,375
<b>Total Dividends Paid</b>		<b>\$98,279,366</b>

In total, Alloya has paid out over \$137 million in cash dividends to PCC investors.

### Retained Earnings

In addition to cash dividends, Alloya has achieved its financial and long-term capital goals. As a newly formed corporate credit union back in 2011, retained earnings were \$0. As of December 31, 2023, retained earnings total \$362.5 million.



### Total Membership Value

Alloya's cooperative business model provides real, tangible value, beyond just financial. As explored in several prior years' Reports to the Membership, credit unions realize additional value through the free services offered by the corporate or by realizing back-office efficiencies. For instance, credit unions that have invested in capital are not charged for an advised line of credit. By using Premier View, credit unions can better control operating costs as fewer staff are required to support those services. Plus, all credit unions have access to free or highly subsidized educational and leadership programs sponsored by Alloya. In total, it has been estimated that credit unions receive an annual return on investment of 35% or more.



**Membership Value**

**35+%**

Annual Return on Invested Capital

### Regulatory & Risk Compliance

From a risk management and compliance perspective, Alloya remains compliant with all rules and regulations.



**FULLY COMPLIANT  
WITH ALL  
REGULATIONS**

- NCUA examination
- BSA/OFAC
- Enterprise risk management committee
- Internal & external audits
- Business Continuity

## 2024 PREVIEW

As the leading corporate credit union, we continue to expand Alloya's capabilities while growing our footprint to serve more members across more states throughout the U.S. In the year ahead, we look forward to welcoming more credit union members to our cooperative family at Alloya.

### *Connecting Credit Unions to Real-Time Payment Capabilities*

On July 20, 2023, the Federal Reserve launched its new real-time payment network known as the FedNow® Service. This represents a significant upgrade to the U.S. payments systems.

At Alloya, we believe real-time payment capabilities will be critical to the success of credit unions, not only because of their speed and convenience, but because of the power they wield to change how a credit union's consumer and business members process a payment in the future.

In 2023, in partnership with our payments technology CUSO, Aptys Solutions, Alloya unveiled real-time settlement and processing solutions to connect credit unions with the real-time networks offered by both the Federal Reserve and The Clearing House to ensure members are equipped to meet the evolving needs and expectations of consumer and business members.

### *Mobile App Coming Soon*

For many credit union professionals, Premier View is the gateway to Alloya. With a single set of login credentials, the products and services you need to simplify the process of running a credit union are at your fingertips – on the desktop at least.

In today's world of mobile conveniences, seldom does desktop-only-access suffice. We all carry computers in our pockets. What's a person to do when a system is not optimized for the pocket-sized version of their window to the world? In 2024, we're addressing that head on for your Alloya relationship! Our Premier View Mobile App will debut on smartphone screens across the country later this year, delivering the same conveniences you enjoy in the desktop application plus so much more for your on-the-go needs.

Consider joining us at this year's Credit Union Leadership Symposium for the big reveal! Event attendees will get early access to this new technology that's set to enhance Alloya's service to your credit union. Speaking of which...

### *Ten Years of Symposium*

Later this year, we're celebrating 10 years of Alloya's signature event, the Credit Union Leadership Symposium! It's hard to believe it's been 10 years since the idea for our annual Symposium first emerged. Over the years, the event has traveled from Chicago to Las Vegas to now Nashville and soon Boston. Cumulative attendance is just short of 2,000 with an estimated 220 attendees joining us each year! We've had world-class experiences at exciting destinations including the Art Institute of Chicago, Allegiant Stadium, Shedd Aquarium and many more. We've heard from dozens of speakers, countless industry experts and celebrity keynotes, including NFL legend Mike Ditka, financial expert Suze Orman, Shark Tank co-star Daymond John and boxing legend Sugar Ray Leonard.



Many credit union leaders consider the Symposium the best event in the industry, so we hope you will consider joining us from September 4-6 in Nashville, Tennessee. With an outing at the Country Music Hall of Fame and the return of our legendary Football Night, it's sure to be a memorable event. More event details will be announced soon, including keynote speakers, breakout sessions and more.

## CONCLUDING COMMENTS

In 2024, we will continue to ask ourselves, “What’s in the best interest of the credit unions we serve and how can we simplify their operational lives?”

The financial services space is fiercely competitive with new disruptions emerging regularly, but with Alloya as your partner, we believe the power of a cooperative fintech will prevail.

We will continue to seek out and deliver industry-leading solutions that give each credit union a strategic advantage in the marketplace. We will continue to attract, hire and retain a dedicated team of professionals that serve each credit union with the highest standards of member service. We will remain committed to delivering an exceptional return on every dollar entrusted with us.

Thank you for choosing Alloya as your partner, and a big thank you to Alloya’s Board of Directors and governance committees for their dedication to the corporate mission and credit union movement.

Sincerely,

Todd M. Adams  
Chief Executive Officer

For financial and operational highlights, see next page.



## Operational and Key Product Highlights

Financial Highlights - as of 12/31/23	
Net income	\$91.2 million
Retained earnings and other equity	\$363 million
Total GAAP equity	\$598 million
Total assets	\$6.2 billion

Ratios - as of 12/31/23	
Retained earnings and other equity ratio	6.33%
Regulatory capital ratio	10.76% (NCUA well-capitalized requirement of 5.0%)

Key Product Highlights - as of 12/31/23	
<b>Loans</b>	
Loans outstanding	\$356.4 million
Advised Lines of Credit	\$14.2 billion
Number of line advances	21,016
Total advances	\$20.8 billion
Percentage of credit unions taking an advance	67% (815 members)
<b>Loan Participation (2023)</b>	
Number of deals supported	117
Average participation	\$4.0 million
Dollar amount	\$547 million
<b>Loan Participation (in aggregate)</b>	
Number of deals supported	620
Average participation	\$4.2 million
Total volume	\$3.67 billion
<b>Shares</b>	
Shares and certificates of deposit	\$4.3 billion
EBA program	\$2.9 billion
<b>Transactions</b>	
Checks processed	137 million for \$178 billion
Check Clearing Services	79 million for \$91 billion
Check Deposit Services	58 million for \$87 billion
ACH transactions	171 million for \$232 billion
Coin & Currency deliveries completed	80,151 for \$11.0 billion
Wires processed	426,928 for \$105 billion

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

<b>Key Product Highlights as of 12/31/23 (continued)</b>	
<b>Alloya Solutions, LLC / Alloya Investment Services**</b>	
<b>Investment Accounting</b>	
Number of credit unions	132
Number of investment positions	15,300
Par value of the positions	\$9.4 billion
Marketable securities	Gross par value of \$334.0 million
<b>SimpliCD</b>	
CD sales	\$1.2 billion
Funds raised through the CD issuance program	\$1.0 billion

<b>Premier View Transaction Totals</b>	
Corporate ACH	2,399,415
Member Adjustments	327,297
Domestic Wire In	170,570
Domestic Wire Out	202,956
Share-to-Share Transfer	99,555
Coin & Currency	81,369
Member-to-Member In	16,504
Member-to-Member Out	16,503
International Wire Out	24,481
Service Wire In	8,983
Service Wire Out	2,057
Share-to-Loan Transfer	14,579
Loan-to-Share Transfer	7,201
Cash Concentration Transfer	1,430
Corporate Wire Out	2,196
Security Purchase	464
Security Sale	325
Certificate Purchase <i>(regular)</i>	1,343

<b>Educational Outreach</b>	
<b>Education Webinars</b>	
Link Events	5 / 429 attendees
Special Webinars	9 / 1,098 attendees
Training Webinars	205 / 2,953 attendees
Symposium Attendees	203 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	25,700
Number of pages accessed each year	110 million
Line of code supported	1.8 million
<b>Member Call Center</b>	
Calls completed <i>(incoming &amp; outgoing)</i>	77,545
Average wait time to answer	2.34 seconds
Abandon rate	0.00%
First call resolution	71%
Tickets completed	13,270
Responses to member emails <i>(per year)</i>	15,289
Responses to member chats <i>(per year)</i>	774
<b>Fraud Prevention</b>	
Dollar amount Alloya saved members in fraud loss	\$3.0 million recovered / \$2.9 million prevented
Number of fraud attempts caught and prevented	51

*\*In anticipation of these distributions from the U.S. Central Asset Management Estate (AME), Alloya's Board of Directors declared a record date of March 17, 2021 for any special dividends associated with receipt of U.S. Central AME funds on Alloya's PCC. As a reminder, Alloya held no interest in the Members United or Southwest Corporate AMEs.*

*\*\*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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