

INDEPENDENT AUDITOR'S REPORT

April 3, 2017

To the Supervisory Committee and Board of Directors of
Catalyst Corporate Federal Credit Union

We have audited the accompanying consolidated financial statements of Catalyst Corporate Federal Credit Union and its subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements. We also have audited Catalyst Corporate Federal Credit Union's internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the NCUA's 5310 Call Report, as of December 31, 2016, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

Management's Responsibility for the Consolidated Financial Statements and Internal Control over Financial Reporting

Catalyst Corporate Federal Credit Union's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying 2016 Management Report.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the entity's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

To the Supervisory Committee and Board of Directors of
Catalyst Corporate Federal Credit Union
Page 2

An audit of consolidated financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the institution's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of consolidated financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 704.15 of the NCUA Regulations, our audit of Catalyst Corporate Federal Credit Union's internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and with the NCUA 5310 Call Report instructions. 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 consolidated 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 consolidated financial statements.

To the Supervisory Committee and Board of Directors of
Catalyst Corporate Federal Credit Union
Page 3

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.

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Catalyst Corporate Federal Credit Union as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, Catalyst Corporate Federal Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*.

Doeren Mayhew

Doeren Mayhew
Miami, FL

Catalyst Corporate Federal Credit Union

Consolidated Statements of Financial Condition

December 31, (in thousands)	2016	2015
Assets		
Cash and cash equivalents	\$1,253,965	\$1,480,431
Investments:		
Available-for-sale	1,163,515	959,701
Federal Home Loan Bank capital stock	1,425	3,635
Investments in credit union service organizations (CUSOs)	5,152	4,569
Loans to members	173,531	346,783
Accounts receivables and other assets	27,215	13,737
Property and equipment, net	14,139	13,356
Goodwill	2,768	2,768
National Credit Union Share Insurance Fund (NCUSIF)	2,621	2,702
Total assets	\$2,644,331	\$2,827,682
Liabilities		
Members' shares and certificates	\$2,407,781	\$2,546,511
Borrowed funds	-	65,000
Accrued expenses and other liabilities	9,017	7,622
Total liabilities	2,416,798	2,619,133
Commitments and contingent liabilities		
Members' Equity		
Perpetual contributed capital	168,843	166,406
Retained earnings	59,069	45,071
Non controlling interest	698	-
Accumulated other comprehensive loss	(1,077)	(2,928)
Total members' equity	227,533	208,549
Total liabilities and members' equity	\$2,644,331	\$2,827,682

The accompanying notes are an integral part of the consolidated financial statements.

Catalyst Corporate Federal Credit Union

Consolidated Statements of Income

For the years ended December 31, (in thousands)	2016	2015
Interest income		
Available-for-sale investments	\$11,639	\$6,669
Federal Reserve Bank	6,304	3,068
Loans to members	3,766	5,564
Other	196	261
Total interest income	21,905	15,562
Interest expense		
Interest on members' shares and certificates	2,365	1,396
Interest on borrowed funds	187	96
Total interest expense	2,552	1,492
Net interest income	19,353	14,070
Non-interest income		
Share draft and depository processing fees	16,755	16,190
Off-balance-sheet income	10,511	8,728
Other fee income	8,731	8,351
Total non-interest income	35,997	33,269
Non-interest expenses		
Compensation and benefits	25,030	23,622
Outside processing and service costs	5,329	4,787
Information technology	5,067	4,663
Other operating expense	3,217	2,884
Professional fees	1,278	1,218
Office occupancy	1,219	1,254
Total non-interest expenses	41,140	38,428
Other net gains		
Net gain on disposition of assets	1,255	-
Net gain on sale of available-for-sale investments	7	-
Net gain on loan prepayment	-	205
Total other net gains	1,262	205
Non controlling interest	47	-
Net income	\$15,519	\$9,116

The accompanying notes are an integral part of the consolidated financial statements.

Catalyst Corporate Federal Credit Union

Consolidated Statements of Comprehensive Income

For the years ended December 31, (in thousands)	2016	2015
Net income	\$15,519	\$9,116
Other comprehensive income/(loss)		
Net unrealized holding gains/(losses) on investments classified as available-for-sale	1,858	(1,556)
Reclassification adjustment for net gains included in net income	(7)	-
Other comprehensive income/(loss)	1,851	(1,556)
Comprehensive income	\$17,370	\$7,560

The accompanying notes are an integral part of the consolidated financial statements.

Catalyst Corporate Federal Credit Union

Consolidated Statements of Members' Equity

For the years ended December 31, 2015 and 2016 (in thousands)	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2014	\$163,250	\$37,070	\$-	(\$1,372)	\$198,948
Net income	-	9,116	-	-	9,116
Perpetual contributed capital issued	3,156	-	-	-	3,156
Dividends paid on perpetual contributed capital	-	(1,115)	-	-	(1,115)
Other comprehensive loss	-	-	-	(1,556)	(1,556)
Balance at December 31, 2015	166,406	45,071	-	(2,928)	208,549
Net income/(loss)	-	15,519	(47)	-	15,472
Net capital contribution at purchase	-	-	745	-	745
Perpetual contributed capital issued	2,470	-	-	-	2,470
Perpetual contributed capital released due to credit union liquidation	(33)	-	-	-	(33)
Dividends paid on perpetual contributed capital	-	(1,521)	-	-	(1,521)
Other comprehensive income	-	-	-	1,851	1,851
Balance at December 31, 2016	\$168,843	\$59,069	\$698	(\$1,077)	\$227,533

The accompanying notes are an integral part of the consolidated financial statements.

Catalyst Corporate Federal Credit Union

Consolidated Statements of Cash Flows

For the years ended December 31, (in thousands)	2016	2015
Cash flows from operating activities:		
Net income	\$15,519	\$9,116
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment, net	1,694	1,471
Net gain on disposition of assets	(1,255)	-
Net gain on sale of available-for-sale investments	(7)	-
Amortization of net premiums and discounts on available-for-sale investments	1,303	1,480
Amortization of other intangible assets	-	26
Federal Home Loan Bank capital stock dividends	(34)	(10)
Non controlling interest	(47)	-
Changes in operating assets and liabilities:		
Accounts receivables and other assets	(3,409)	(1,606)
Accrued expenses and other liabilities	1,395	1,235
Net cash provided by operating activities	15,159	11,712
Cash flows from investing activities:		
Proceeds from sales of available-for-sale investments	20,019	-
Proceeds from maturities and repayments of available-for-sale investments	706,623	717,868
Purchases of available-for-sale investments	(929,901)	(846,513)
Net change in Federal Home Loan Bank capital stock	2,244	(2,701)
Net change in investments in CUSOs	(583)	(122)
Net change in loans to members	173,252	(82,971)
Net change in company-owned life insurance (COLI) policy	(10,069)	-
Proceeds from disposal of property and equipment, net	-	28
Expenditures for property and equipment, net	(2,477)	(1,052)
Proceeds from disposition of assets	2,000	-
Net decrease in NCUSIF	81	72
Net cash used in investing activities	(38,811)	(215,391)
Cash flows from financing activities:		
Net change in members' shares and certificates	(138,730)	349,949
Net change in borrowed funds	(65,000)	65,000
Perpetual contributed capital issued	2,470	3,156
Perpetual contributed capital released	(33)	-
Dividends paid on perpetual contributed capital	(1,521)	(1,115)
Net cash (used in)/provided by financing activities	(202,814)	416,990
Net (decrease)/increase in cash and cash equivalents	(226,466)	213,311
Cash and cash equivalents at beginning of year	1,480,431	1,267,120
Cash and cash equivalents at end of year	\$1,253,965	\$1,480,431
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest on members' shares and certificates	\$2,363	\$1,396
Interest on borrowed funds	\$195	\$88

The accompanying notes are an integral part of the consolidated financial statements.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

1. ORGANIZATION

Catalyst Corporate Federal Credit Union (Catalyst Corporate) is a federally chartered corporate credit union whose principal activity is to provide investment, credit, payment and correspondent services to its member credit unions. Catalyst Corporate's members can include federal and state-chartered credit unions, and other credit union organizations throughout the United States.

Catalyst Corporate derives its authority to operate from the United States federal government under the Federal Credit Union Act (the Act). The National Credit Union Administration (NCUA) serves as the regulatory agency responsible for enforcement of the Act. Pursuant to Section 122 of the Act, Catalyst Corporate is exempt from payment of federal and state income taxes.

Catalyst Corporate wholly owns CUSOURCE, LLC (CUSOURCE), which is a credit union service organization (CUSO) that provides investment advisory and asset-liability management services to credit unions on a nationwide basis. CUSOURCE conducts business under the name "Catalyst Strategic Solutions." In addition, Catalyst Corporate owns 75 percent of TranzCapture, LLC (TranzCapture), a CUSO that was formed in 2015 for software development. As both CUSOs are formed as Texas limited liability companies, and that the federal income tax liability flows through to its owners, the CUSOs are not subject to federal and state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements/Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date 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 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 consolidated financial statements include the accounts of Catalyst Corporate, CUSOURCE and TranzCapture. All significant intercompany balances and transactions have been eliminated in the Catalyst Corporate consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents includes amounts due from Federal Reserve Bank and other banks, as well as cash maintained in various courier vaults. Amounts due from banks may, at times, exceed federally insured limits.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 2 (continued)

Interest rate derivatives

Catalyst Corporate utilizes interest rate swap agreements to manage the effects of interest rate volatility on net interest income. These swap transactions are designated as fair value hedges as they are used to hedge against the changes in the fair value of Catalyst Corporate's member term loans attributable to changes in interest rate. The fair values of these interest rate derivatives are recognized in the consolidated statements of financial condition as an asset or a liability at fair value. Gains and losses on the derivatives are reported in income along with the related gains and losses of the hedged financial instruments.

Interest rate swap gains and losses, and related accrued interest receivable and payable, are netted per counterparty. An interest rate derivative asset (or liability) is recognized when the net result for an individual counterparty is an asset (or a liability). Cash collateral receivables or payables are also offset against net derivative positions.

Interest income and expense on swaps designated as hedges are recorded in income in conjunction with the income or expense of the hedged financial instrument.

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

Catalyst Corporate, 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 Catalyst Corporate consolidated statements of financial condition. These balances totaled approximately \$4,546,654,000 and \$4,548,333,000 as of December 31, 2016 and 2015, 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. Catalyst Corporate, as 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.

Investments

Investments are classified into the following categories: available-for-sale and other. Investment securities classified as available-for-sale are measured at fair value as of the consolidated statement of financial condition date. Unrealized gains and losses for available-for-sale investments are reported as a separate component of members' equity as accumulated other comprehensive income/(loss). Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts over the term of the investment as an adjustment to interest income on investments by a method that approximates the interest method.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 2 (continued)

Declines in the estimated fair value of individual investments 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 Catalyst Corporate does not intend to sell these investments, and (iv) it is more likely than not that Catalyst Corporate will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 2016 and 2015, other investments include capital stock in Federal Home Loan Bank (FHLB) and various investments in credit union service organizations (CUSOs).

Other investments are generally carried at cost, with the exception of certain investments in CUSOs, which are accounted for using the equity method of accounting.

Catalyst Corporate is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. Capital stock may be redeemed after a five year written notice to the FHLB. Capital stock in FHLB is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Cash and stock dividends are reported as income. Stock dividends are reinvested in FHLB capital stock. Catalyst Corporate held capital stock issued by FHLB of Dallas of \$1,425,000 and \$3,635,000 as of December 31, 2016 and 2015, respectively.

Loans to members

Loans to members are stated at the amount of unpaid principal. Interest on loans is accrued daily and is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest is discontinued when management believes the collection of interest is doubtful. Catalyst Corporate reviews the loan portfolio for impairment on a regular basis. Catalyst Corporate has not recorded an allowance for loan losses as the loans are generally short term and are secured by members' total assets or specific assets of the member such as securities or an auto loan portfolio.

Open-end credit lines are provided at a variable interest rate and must be repaid within 12 months of the date of each advance or upon demand. All of these lines are backed by either a general or specific pledge of the borrowing credit union's assets.

Term loans are provided in a variety of structures including fixed rate, variable rate, bullet and amortizing structures. These loans are backed by either a specific or general pledge of the borrowing credit union's assets. Catalyst Corporate offers term loans with maturities up to 10 years.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 2 (continued)

Allowance for loan losses

Catalyst Corporate's loan portfolio consists only of loans to credit unions, credit union leagues and CUSOs. Catalyst Corporate has segmented the portfolio into two types of loans (open-end credit lines and term loans) based on risk characteristics of each loan type. Each type of loan requires significant judgment to determine the amount of lines of credit and term loans to extend to any one member. The following methodology is used by management to determine the balance of the allowance for loan losses.

Credit quality indicators

Loans are evaluated on a loan-by-loan basis. All open-end credit lines and term loans to credit unions, credit union leagues and CUSO members are secured by either a general pledge of assets or a specific pledge.

Approximately one half of the dollar volume of open-end credit lines and term loans are secured by a blanket lien on all assets. The remainder is secured by specific collateral. This collateral is pledged by the member prior to Catalyst Corporate extending loan advances. Loans to members can be offset against the members' share accounts, if necessary.

If management determines that a loan is impaired, then impairment is recognized through an allowance for loan losses. There were no impaired loans as of December 31, 2016 or 2015. Additionally, none of the loans were past due or had been modified as of December 31, 2016 or 2015. Catalyst Corporate places loans on non-accrual status when the loan reaches 90 days past due or when the collection of interest or principal becomes uncertain.

Property and equipment, net

Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation. Buildings, capital improvements, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Catalyst Corporate reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Goodwill and intangible assets acquired in a purchase business combination determined to have an indefinite useful life are 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. Catalyst Corporate has selected December 31 as the date to perform the annual impairment test, and any impairment is recognized in the period identified. Goodwill is the only intangible asset with an indefinite life on Catalyst Corporate's consolidated statements of financial condition.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 2 (continued)

NCUSIF

The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union. The deposit would be refunded to Catalyst Corporate 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.

Members' shares and certificates

Members' shares and certificates are subordinated to all other liabilities of Catalyst Corporate other than perpetual contributed capital upon liquidation. Interest rates on members' shares and certificates are set by management under the direction of the Board of Directors.

Perpetual contributed capital (PCC)

PCC is member credit union contributed capital that is perpetual, uninsured, and available to cover losses that exceed retained earnings. It is not negotiable or assignable but may be transferable to another eligible member credit union under certain provisions. PCC may not be pledged or used as security for borrowing. PCC dividends are non-cumulative and determined based on net earnings and the overall capital needs of Catalyst Corporate. 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.

Comprehensive income/(loss)

Accounting principles generally require the recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) is limited to the changes in unrealized gains/(losses) on available-for-sale investments. When available-for-sale investments are sold, the gain/(loss) realized on the sale is reclassified from accumulated other comprehensive income/(loss) to the net gain/(loss) on sale of available-for-sale investments reported on the consolidated statements of income.

Federal and state tax exemption

Catalyst Corporate is exempt from most federal, state and local taxes under the provisions of the Internal Revenue Code and state tax laws. The Income Tax Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) clarifies accounting for uncertainty in income taxes reported in the consolidated 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 met the "more likely than not" standard for sustainability on examination by tax authorities. Federal credit unions are tax-exempt under Internal Revenue Code sections 501(c) (14) (a) and 501(c) (1) (a) (I). As such, Catalyst Corporate has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Additionally, no interest or penalties have been recorded in the accompanying consolidated financial statements related to uncertain tax positions.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 2 (continued)

Adoption of new accounting standards

In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. Changes to the current GAAP model primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The classification and measurement guidance will be effective for non-public business entities in fiscal years beginning after December 15, 2018, or they may early adopt December 15, 2017. Catalyst Corporate is currently evaluating the impact of the ASU.

Entities that are not public business entities will no longer be required to disclose the fair value of financial instruments carried at amortized cost. The ASU also eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value. Entities that are not public business entities can early adopt the provision permitting the omission of fair value disclosures for financial instruments at amortized cost. Early adoption of these provisions can be elected for all financial statements of fiscal years and interim periods that have not yet been made available for issuance. Accordingly, Catalyst Corporate has eliminated the disclosures related to the fair value of financial instruments.

Subsequent events

Management has evaluated subsequent events through April 3, 2017, which is the date the consolidated financial statements were available to be issued.

3. CASH AND CASH EQUIVALENTS

Catalyst Corporate acts as a pass-through correspondent for member credit unions that are required to deposit reserves with the FRB. Deposit reserves of \$80,024,000 and \$93,596,000 as of December 31, 2016 and 2015, respectively, are included in cash and cash equivalents and members' shares and certificates in the consolidated statements of financial condition.

4. INTEREST RATE DERIVATIVES

Interest rate derivatives at December 31, 2016, are comprised of two interest rate swap agreements which are included in accounts receivables and other assets in the consolidated statements of financial condition.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 4 (continued)

The following table summarizes the fair value of interest rate swaps, which are designated as fair value hedges, on a gross basis as of December 31, 2016 (in thousands). There were no derivative transactions outstanding as of December 31, 2015.

2016	Assets	
	Fair Value	Notional
Derivatives designated as fair value accounting hedges:		
Interest rate swaps related to loans to members	\$103	\$20,000
Counterparty netting: accrued interest receivable	5	-
Total	\$108	\$20,000

Fair value hedges are comprised of interest rate swap agreements in which Catalyst Corporate pays a fixed rate and receives a floating rate in return. Catalyst Corporate utilizes swap agreements to manage interest rate risk by hedging the fair value of its member term loans attributable to changes in interest rate. Catalyst Corporate assumes no ineffectiveness on these interest rate swaps which results in zero gains/(losses) recognized in earnings.

In the event of counterparty default, credit risk on interest rate swap transactions is limited to the balance of interest rate derivative assets and collateral. Catalyst Corporate manages credit risk arising from interest rate swap transactions through credit approval procedures that include specific limits for individual counterparties and ongoing monitoring procedures to measure outstanding swap exposure against the established limits. Catalyst Corporate's policies require swap transactions to be executed with counterparties that possess a minimum credit rating of single-A. Credit risk is further mitigated by contractual arrangements with each of Catalyst Corporate's counterparties that provide for the netting of replacement cost gains and losses, and accrued interest receivable and payable, on multiple swap transactions with the same counterparty.

5. AVAILABLE-FOR-SALE INVESTMENTS

The amortized cost and estimated fair value of available-for-sale investments as of December 31 are as follows (in thousands):

2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	\$962,421	\$1,054	(\$823)	\$962,652
Agency commercial mortgage-backed securities	115,670	-	(379)	115,291
Agency mortgage-backed securities	83,618	26	(942)	82,702
Federal agency securities	2,883	-	(13)	2,870
Total	\$1,164,592	\$1,080	(\$2,157)	\$1,163,515

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 5 (continued)

	Amortized	Gross Unrealized	Gross Unrealized	Fair
2015	Cost	Gains	Losses	Value
Asset-backed securities	\$858,294	\$26	(\$1,768)	\$856,552
Agency mortgage-backed securities	101,145	71	(1,237)	99,979
Federal agency securities	3,190	-	(20)	3,170
Total	\$962,629	\$97	(\$3,025)	\$959,701

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of December 31 (in thousands):

Asset Type	2016 Fair Value	2015 Fair Value
Credit card	\$362,066	\$304,507
Automobile	293,205	264,735
FFELP Student loan	186,534	127,260
Equipment	120,847	160,050
Total	\$962,652	\$856,552

The following tables represent regulatory concentration limits based on parameters established in NCUA regulation 704.5 as of December 31, 2016 (in thousands):

By Security Type:	Fair Value	Capital Based Limit	Asset Based Limit
Credit card asset-backed securities	\$362,066	\$1,119,567	\$661,083
Automobile asset-backed securities	293,205	1,119,567	661,083
FFELP Student loan asset-backed securities	186,534	2,239,134	1,322,166
Equipment asset-backed securities	120,847	1,119,567	661,083
Agency commercial mortgage-backed securities	115,291	671,740	396,650
Agency mortgage-backed securities	82,702	2,239,134	1,322,166
Federal agency securities	2,870	2,239,134	1,322,166
Total	\$1,163,515		

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 5 (continued)

By Issuer (top ten issuers of asset-backed securities):	Fair Value	Regulatory Limit
CHAIT 2014-A7 A7	\$32,937	\$111,957
CCCIT 2008-A1 A1	30,351	111,957
AMXCA 2014-3 A	29,936	111,957
NAVSL 2014-8 A2	29,496	55,978
COMET 2014-A2 A2	24,211	111,957
NAVSL 2014-1 A2	24,020	55,978
CHAIT 2014-A1 A1	24,000	111,957
DCENT 2007-A1 A1	23,369	111,957
AMXCA 2014-1 A	22,040	111,957
CHAIT 2013-A9 A	20,060	111,957

Catalyst Corporate's available-for-sale securities portfolio consists entirely of securities that return principal based on payments received on the underlying collateral. These securities have expected weighted-average lives of one to five years; however, return of principal may differ from expectation based on fluctuations in market interest rates and prepayment speeds of the underlying collateral.

Proceeds of \$20,019,000 and gross gains of \$7,000 from the sale of investments classified as available-for-sale were realized for the year ended December 31, 2016. There were no sales of available-for-sale investments in 2015.

The following tables show the gross unrealized losses and fair value of available-for-sale investments as of December 31 (in thousands), aggregated by length of time individual securities have been in a continuous unrealized loss position.

	Continuous unrealized loss position less than 12 months		Continuous unrealized loss position 12 months or greater		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Asset-backed securities	\$578,837	\$730	\$31,392	\$93	\$610,229	\$823
Agency commercial mortgage-backed securities	115,291	379	-	-	115,291	379
Agency mortgage-backed securities	50,660	245	17,273	697	67,933	942
Federal agency securities	-	-	2,870	13	2,870	13
Total	\$744,788	\$1,354	\$51,535	\$803	\$796,323	\$2,157

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 5 (continued)

2015	Continuous unrealized loss position less than 12 months		Continuous unrealized loss position 12 months or greater		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Asset-backed securities	\$785,178	\$1,533	\$46,757	\$235	\$831,935	\$1,768
Agency mortgage-backed securities	44,041	187	27,657	1,050	71,698	1,237
Federal agency securities	1,494	5	1,676	15	3,170	20
Total	\$830,713	\$1,725	\$76,090	\$1,300	\$906,803	\$3,025

Catalyst Corporate evaluates each asset-backed security for other-than-temporary impairment (OTTI) by considering Catalyst Corporate's ability to hold each security for a sufficient time to allow for recovery of unrealized losses. Catalyst Corporate also considers the credit rating of each security as well as the tranche and underlying collateral in evaluating each security for OTTI. Management has the intent and ability to hold these securities to recovery of fair value, which may be maturity. There was no OTTI recognized for the years ended December 2016 or 2015.

6. INVESTMENTS IN CUSOs

Investments in CUSOs are comprised of the following as of December 31 (in thousands):

	2016	2015
Investment in CO-OP	\$2,682	\$2,232
Investment in Primary Financial, LLC	1,568	1,511
Investment in CU Business Group	772	726
Investment in CU Investment Solutions, LLC	100	100
Investment in Members Development Company, LLC	30	-
Total	\$5,152	\$4,569

The investments in Primary Financial, LLC and CU Business Group are equity method investments, and the investments in CO-OP and CU Investment Solutions, LLC, and Members Development Company, LLC are cost method investments. Catalyst Corporate invested in Members Development Company, LLC in June 2016. Gains/(losses) on equity method investments are included within other fee income reported on the consolidated statements of income. On July 29, 2016, Catalyst Corporate sold a 25 percent interest in the previously wholly-owned CUSO, TranzCapture, which was formed in 2015 for software development. The gain on the sale is presented as net gain on disposition of assets reported on the consolidated statements of income.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

7. LOANS TO MEMBERS

The composition of loans to members is as follows as of December 31 (in thousands):

2016	Weighted Avg. Yield	
Open-end credit lines	1.21%	\$53,417
Term loans	2.04%	120,114
Total		\$173,531

2015	Weighted Avg. Yield	
Open-end credit lines	0.98%	\$51,961
Term loans	2.25%	294,822
Total		\$346,783

Term loan balances include fair value premiums totaling approximately \$103,000 and \$24,000 as of December 31, 2016 and 2015, respectively.

The estimated principal payments on term loans based on contractual maturity as of December 31, 2016 are shown below (in thousands):

2017	\$11,883
2018	50,333
2019	15,500
2020	32,437
2021	-
Thereafter	9,961
Total	\$120,114

Catalyst Corporate has not established an allowance for loan losses as all outstanding loans are secured either by a general or a specific pledge of the member credit unions' assets.

There were no impaired loans as of December 31, 2016 or 2015. Additionally, none of the loans were past due or had been modified as of December 31, 2016 or 2015.

Catalyst Corporate reviews all lines of credit on a semi-annual basis by reviewing the member credit unions' financial condition and key ratios. A watch list is created of member credit unions that represent a credit risk to Catalyst Corporate.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 7 (continued)

The criteria used to determine whether a loan will be placed on the watch list include, but not limited to the following:

Credit Quality Indicators:

- Current period Net ROA based on a sliding scale with highest Net ROA of 0.75% or higher given the best rating and lowest or negative Net ROA given the worst rating and/or,
- Current period Net Capital based on a sliding scale with highest Net Capital of 10% or greater given the best rating and lowest or negative Net Capital given the worst rating. (Net Capital is calculated by subtracting the dollar amounts of the following from total capital; 10% of all foreclosed and repossessed assets, 10% of loans 2 to 6 months delinquent, 50% of loans 6 to 12 months delinquent, 90% of loans more than 12 months delinquent, 0.5% of all non-delinquent loans, 100% of loans subject to bankruptcy, 50% of all fixed assets, 25% of other assets, and 5% of investments with maturities greater than 3 years).

Member credit unions placed on the watch list due to credit quality have lines of credit of \$165,935,000 and \$109,833,000 and outstanding loan balances of approximately \$400,000 and \$533,000 as of December 31, 2016 and 2015, respectively. Of the total lines of credit issued to credit unions on the watch list, none are guaranteed by the NCUA as of either December 31, 2016 or 2015. Lines of credit and loans are collateralized 100% or more by a general or specific pledge of the borrowing credit union's assets.

In 2015, Catalyst Corporate recognized net gains of approximately \$205,000 related to the early prepayments of \$7,000,000 in term loans. These net gains are included in net gain on loan prepayment reported on the consolidated statements of income. There were no loan prepayments in 2016.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

8. PROPERTY AND EQUIPMENT, NET

A summary of Catalyst Corporate's property and equipment is as follows as of December 31 (in thousands):

	2016	2015
Land	\$1,300	\$1,300
Building	7,792	7,792
Software	8,549	7,580
Hardware	7,200	6,252
Furniture and equipment	1,196	1,220
Capital improvements	1,059	1,051
	27,096	25,195
Less: accumulated depreciation	(12,957)	(11,839)
Total	\$14,139	\$13,356

9. GOODWILL

Goodwill of \$3,095,000 was recognized related to the merger of Southwest Bridge Corporate Federal Credit Union and Georgia Corporate Federal Credit Union (Georgia Corporate) effective September 6, 2011 and the purchase and assumption of Western Bridge Corporate Federal Credit Union (Western Bridge) effective July 1, 2012. In 2012, Catalyst Corporate recognized a contingent liability of \$1,550,000 which will be paid to NCUA over a 5 year period related to the Western Bridge acquisition which was based on the capitalization level and related fee income of original Western Bridge members. In July 2016 and July 2015, Catalyst Corporate made payments of \$300,000 to the NCUA in accordance with the agreement.

10. BORROWED FUNDS/LINES OF CREDIT

As of December 31, 2016, Catalyst Corporate has access to a \$146,122,000 advised line of credit with FHLB of Dallas, as well as a \$757,625,000 repurchase agreement line of credit and a \$30,000,000 unsecured Fed Funds line of credit with JPMorgan Chase as of December 31, 2016. The advised line of credit with FHLB of Dallas and the repurchase agreement line of credit with JPMorgan Chase are secured with qualified investment securities. There were no outstanding borrowings from these lines of credit as of December 31, 2016.

As of December 31, 2015, Catalyst Corporate had an outstanding advance of \$65,000,000 from the FHLB of Dallas. The outstanding advance had a fixed interest rate of 0.31% with balloon payment terms and a maturity date of January 15, 2016. The unused line of credit approximated \$35,241,000 with FHLB of Dallas as of December 31, 2015. Borrowings under this line of credit were secured with qualified investment securities with a fair value of approximately \$66,766,000 as of December 31, 2015. The outstanding advance was paid off during 2016.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

11. MEMBERS' SHARES AND CERTIFICATES

Members' shares are summarized as follows as of December 31 (in thousands):

	2016	2015
Cash management	\$1,959,871	\$2,107,519
Performance tiered	277,814	245,118
Reg D reserve	80,024	93,596
Other	87,247	97,728
Total	\$2,404,956	\$2,543,961

Members' share certificate balances are \$2,825,000 and \$2,550,000 as of December 31, 2016 and December 31, 2015, respectively. All members' share certificate balances mature in 2017.

The aggregate amount of members' share certificate balances in denominations of \$250,000 or more was \$2,250,000 and \$2,225,000 as of December 31, 2016 and 2015, respectively.

Members' shares and certificates are insured by the NCUSIF to a maximum of \$250,000 for each member.

12. EMPLOYEE BENEFITS

Catalyst Corporate sponsors a defined contribution plan (the Plan) established under Section 401(k) of the Internal Revenue Code. The Plan allows employees to contribute up to the IRS maximum allowable percentage of their compensation. Catalyst Corporate matches 100% of the first 5% of each employee's contribution to the Plan. In addition, Catalyst Corporate may elect to make a discretionary contribution to the Plan annually. This election requires approval by the Board of Directors. The Board of Directors approved a 1% discretionary contribution to be funded in 2017 based on 2016 compensation. A 1% discretionary contribution was also made in 2016 based on 2015 compensation. Catalyst Corporate's total contribution to the Plan was approximately \$1,030,000 and \$988,000 for the years ended December 31, 2016 and 2015, respectively.

In 2016, Catalyst Corporate purchased a company-owned life insurance (COLI) group policy with an annuity rider for \$10,000,000 to provide additional life insurance for members of the management team while employed at Catalyst Corporate. There is no life insurance benefit or liability paid to the individuals once they are no longer employed at Catalyst Corporate. Catalyst Corporate is an additional beneficiary to the policy. As of December 31, 2016, Catalyst Corporate recorded the cash surrender value of approximately \$10,069,000 as a component of accounts receivables and other assets on the consolidated statements of financial condition. Earnings from the COLI are used to cover employee benefit-related expenses as a cost offset and long term cost recovery, and are included within off-balance-sheet income reported on the consolidated statements of income.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

13. OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Catalyst Corporate is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its member credit unions. These financial instruments include agreements to extend credit. Catalyst Corporate issues lines of credit to its members that are both uncommitted or “stand-by” and committed or “guaranteed.” Virtually all lines of credit issued by Catalyst Corporate are uncommitted in that through provisions in its loan agreements, Catalyst Corporate is in no way obligated or committed to make any loan advances under the “stand-by” lines of credit. Advances under these “stand-by” lines of credit are subject to funds availability. In addition, these “stand-by” lines of credit are all secured by a pledge of the members’ total assets or specific assets of the member such as securities or an auto loan portfolio.

Committed lines of credit at Catalyst Corporate are called guaranteed lines of credit. Catalyst Corporate is committed by provisions of the loan agreement to advance this entire line of credit amount. There are no guaranteed lines of credit issued as of December 31, 2016 or 2015.

Catalyst Corporate also issues letters of credit to its members in various amounts for various purposes. When a letter of credit is issued to a member, the amount of the letter of credit is subtracted from the member’s line of credit.

The face amount of the lines of credit represents the exposure to loss, before considering member collateral or ability to repay. Such line of credit amounts are recorded when they are funded.

Catalyst Corporate has unused “stand-by” lines of credit issued to member credit unions of approximately \$8,575,671,000 and \$8,274,265,000 as of December 31, 2016 and 2015, respectively. Catalyst Corporate evaluates each member credit union’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management’s credit evaluation of the member. Additionally, Catalyst Corporate has committed “stand-by” letters of credit issued to member credit unions of \$2,105,000 and \$278,000 as of December 31, 2016 and 2015, respectively. The “stand-by” letters of credit, which are secured by either a general or a specific pledge of the member credit union assets, are issued with a term of one to five years and are generally used for various operational reasons.

14. REGULATORY CAPITAL

Catalyst Corporate 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 Catalyst Corporate’s consolidated financial statements. Failure to meet minimum capital requirements would require Catalyst Corporate to submit a plan of action to correct the shortfall. Additionally, the NCUA could require an increase in capital to specific levels, reduction of interest, and ceasing or limiting Catalyst Corporate’s ability to accept deposits.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 14 (continued)

During 2010, the NCUA issued new regulations for corporate credit unions that became effective in October 2011. These regulations required corporate credit unions to build retained earnings as well as established requirements to meet a leverage ratio, tier one risk-based capital ratio, and a total risk-based capital ratio.

Beginning October 20, 2016, NCUA rules require corporate credit unions to change the way they calculate their regulatory leverage ratio, reducing the amount of PCC that is included in the ratio. This is part of a multi-year phase-in requirement for corporate credit union regulatory capital ratios. As a result of the regulation, the leverage ratio decreased to 6.57% at December 31, 2016 as compared to 8.06% at December 31, 2015. A regulatory leverage ratio of 5.00% or greater is considered "well capitalized," so even with the new regulatory leverage ratio calculation, Catalyst Corporate would maintain its "well-capitalized" status. Total capital ratio which includes all PCC is 8.67% as of December 31, 2016 as compared to 8.06% as of December 31, 2015.

Beginning October 2020, the corporate rule requires an additional reduction of PCC in calculating the leverage ratio. At that time, PCC will be limited to the amount of retained earnings.

As a result, corporate credit unions will need at least a 2.00% retained earnings ratio to be considered "adequately capitalized" and 2.50% to be "well capitalized."

Catalyst Corporate's retained earnings ratio of 2.29% as of December 31, 2016 already exceeds the "adequately-capitalized" standard for the 2020 requirements.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 14 (continued)

Catalyst Corporate's actual and required capital ratios were as follows as of December 31:

Capital Ratio	Capital	Denominator	2016 Ratio	2015 Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	RE	DANA	2.29%	1.75%	N/A	N/A
Total capital ratio	RE + RE Georgia Corporate+PCC-CUSO investments+Non controlling interest	DANA	8.67%	8.06%	N/A	N/A
Regulatory leverage ratio	RE + RE Georgia Corporate+PCC-CUSO investments+Non controlling interest-Excluded PCC	DANA-Excluded PCC	6.57%	8.06%	4.00%	5.00%
Tier one risk-based capital ratio	RE + RE Georgia Corporate+PCC-CUSO investments+Non controlling interest-Excluded PCC	MANRA	18.35%	24.80%	4.00%	6.00%
Total risk-based capital ratio	RE + RE Georgia Corporate+PCC-CUSO investments+Non controlling interest	MANRA	24.78%	24.80%	8.00%	10.00%

RE = Retained earnings

RE Georgia Corporate = Retained earnings acquired through business combination with Georgia Corporate of \$455,844

PCC = Perpetual contributed capital

Excluded PCC = amount of PCC less RE exceeding 2% of DANA

CUSO investments = Investments in unconsolidated CUSOs

DANA = 12-month average daily net assets

MANRA = 12-month average net risk-weighted assets

As of December 31, 2016 and 2015, Catalyst Corporate's capital ratios exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

15. RELATED PARTY TRANSACTIONS

Catalyst Corporate's Board of Directors and committees are made up of executive officers from several of its member credit unions. These related parties maintained approximately \$141,203,000 and \$155,385,000 on deposit at Catalyst Corporate in various deposit products as of December 31, 2016 and 2015, respectively. These totals include approximately \$9,773,000 and \$9,777,000 of PCC as of December 31, 2016 and 2015, respectively. Interest rates on these deposits are the same rates paid to other member credit unions. Outstanding loan balances to related parties were approximately \$5,500,000 and \$193,000 as of December 31, 2016 and 2015, respectively.

Catalyst Corporate holds investments in various CUSOs. Members of senior management serve on the Board of Directors of Primary Financial, LLC, CU Business Group, CU Investment Solutions, LLC, and as principal of Catalyst Strategic Solutions and managers of TranzCapture.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

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). 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. Furthermore, while Catalyst Corporate 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.

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. There were no items required to be measured on a non-recurring basis as of December 31, 2016 or 2015.

Catalyst Corporate Federal Credit Union

Notes to the Consolidated Financial Statements

Note: 16 (continued)

RECURRING BASIS

AVAILABLE- FOR- SALE SECURITIES

Catalyst Corporate receives pricing for available-for-sale securities from a third-party pricing service. These securities are classified as a Level 2 in the fair value hierarchy. Fair value information for the available-for-sale securities (asset-backed, agency commercial mortgage-backed, agency mortgage-backed, and federal agency) was valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

The following tables set forth by level, within the fair value hierarchy, Catalyst Corporate's financial instruments at fair value (in thousands):

Assets at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Asset-backed securities	\$-	\$962,652	\$-	\$962,652
Agency commercial mortgage-backed securities	-	115,291	-	115,291
Agency mortgage-backed securities	-	82,702	-	82,702
Federal agency securities	-	2,870	-	2,870
Total assets at fair value	\$-	\$1,163,515	\$-	\$1,163,515

Assets at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Asset-backed securities	\$-	\$856,552	\$-	\$856,552
Agency mortgage-backed securities	-	99,979	-	99,979
Federal agency securities	-	3,170	-	3,170
Total assets at fair value	\$-	\$959,701	\$-	\$959,701

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of amounts that could be realized in a market exchange.

17. SUBSEQUENT EVENTS

On February 24, 2017, Catalyst Corporate sold 1.5 acres of undeveloped land at its Plano, Texas location for \$1,333,000. As a result, Catalyst Corporate recognized a net gain of approximately \$1,010,000 during February 2017.

2016 Management Report

Statement of Management's Responsibilities

The management of Catalyst Corporate Federal Credit Union ("Catalyst Corporate") is responsible for preparing Catalyst Corporate's annual financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report; and for complying with the Federal laws, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

Management's Assessment of Compliance with Safety and Soundness Laws and Regulations

The management of Catalyst Corporate has assessed Catalyst Corporate's compliance with the Federal and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2016. Based upon its assessment, management has concluded that Catalyst Corporate complied with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2016.

Management's Assessment of Internal Control over Financial Reporting

Catalyst Corporate'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 reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., NCUA 5310- Corporate Credit Union Call Report. The institution'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 Corporate; (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 financial statements for regulatory reporting purposes, and that receipts and expenditures of Catalyst Corporate are being made only in accordance with authorizations of management and directors of Catalyst Corporate; and (3) provide

reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of Catalyst Corporate'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 evaluation 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 and procedures may deteriorate.

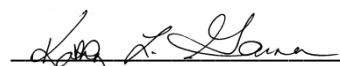
Management assessed the effectiveness of Catalyst Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2016, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*.

Based upon its assessment, management has concluded that, as of December 31, 2016, Catalyst Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, is effective based on the criteria established in *Internal Control--Integrated Framework (2013)*.

Catalyst Corporate's internal control over financial reporting as of December 31, 2016 has been audited by Doeren Mayhew, CPAs and Advisors, an independent registered public accounting firm, as stated in their accompanying report which expresses an unmodified opinion on the effectiveness of Catalyst Corporate's internal control over financial reporting as of December 31, 2016.

Catalyst Corporate Federal Credit Union

Date: April 3, 2017



Kathy Garner, Chief Executive Officer



Melissa Wardell, Chief Financial Officer

Texas

6801 Parkwood Blvd.
Plano TX 75024
214-703-7500
800-442-5763

Georgia

6705 Sugarloaf Pkwy., Suite 250
Duluth GA 30097
214-703-7500
800-442-5763

California

2855 E. Guasti Rd., Suite 600
Ontario CA 91761
214-703-7500
800-442-5763

Hawaii

1654 S. King St.
Honolulu HI 96826
214-703-7500
800-442-5763