

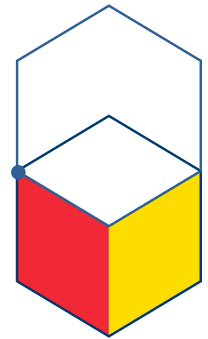


2019 Due Diligence Report

LETTER FROM **THE PRESIDENT**

Dear Valued Member:

Catalyst Corporate Federal Credit Union is providing this **2019 Due Diligence Report** to update credit unions on its performance and to support their due diligence efforts. The idea for the **Due Diligence Report** came from a member request to publish all due diligence information in a single document. The suggestion was adopted because it aligns so well with Catalyst Corporate's mission to be *a premier innovative corporate credit union that provides exceptional member value in an efficient, safe and sound manner.*



Catalyst Corporate's operating fundamentals also focus on efficiency, safety and soundness. These fundamentals remain constant from year to year, helping Catalyst Corporate stay true to its promise to support the success of member-owners. They also guide the prioritization of the initiatives in the strategic plan. Among the operating fundamentals:

Catalyst Corporate...

- Continuously strives to maximize efficiency.
- Prioritizes strategies that create value for member credit unions.
- Leverages technology to achieve its objectives whenever possible.
- Continues to build financial strength in ways that surpass milestones and regulatory requirements.
- Protects its members' assets by closely monitoring and managing risks of all kinds including credit, interest rate, liquidity, operational, reputation and enterprise-wide risk.
- Is transparent with regard to its financial performance and operational practices affecting safety and soundness.
- Is guided in all decisions by its structure as a member-owned cooperative.
- Achieves and maintains a strong degree of engagement with its volunteer leadership, who are a primary link to the membership at large.
- Achieves and maintains high service levels reflective of its role as a member-owned cooperative.

The Catalyst Corporate Due Diligence Report includes financial statements with detailed commentary and information about Catalyst Corporate's risk profile, portfolio composition, CUSO investments and compliance with NCUA Rules and Regulations Part 704. Also included is information about operational practices designed to protect member credit unions.

The Due Diligence Report is posted annually on the Catalyst Corporate website under [About Us / Due Diligence](#) and is available for download at any time. Please feel free to contact me or another Catalyst Corporate team member if you need additional information.

Best regards,

Bruce Fox
President/CEO
bfox@catalystcorp.org

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FINANCIAL REPORT

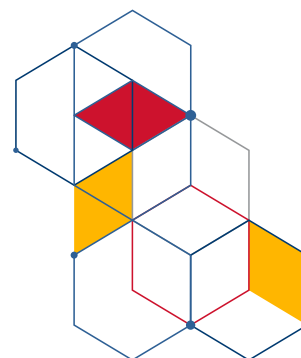
RESULTS OF OPERATIONS

Catalyst Corporate's net income for the year ended December 31, 2019 totaled \$25,276,882. Year-to-date (YTD) operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) of 80.9 percent. A summary of the unaudited results of Catalyst Corporate's operations for the past four quarters is included in the following table.

	JAN-MAR 2019	APR-JUN 2019	JUL-SEP 2019	OCT-DEC 2019
Net interest income	\$7,724,543	\$8,049,805	\$8,303,190	\$9,477,270
Provision for loan losses	30,000	-	-	-
Net interest income after provision for loan losses	7,694,543	8,049,805	8,303,190	9,477,270
Net fee income	8,069,676	8,891,268	8,903,681	8,998,768
Operating expenses	10,477,831	10,372,825	10,831,787	11,421,673
Other net gains	2,664	2,170	80,835	-
Non controlling interest	(9,136)	(25,175)	(27,852)	(30,709)
Net income	\$5,279,916	\$6,545,243	\$6,428,067	\$7,023,656

Key information

Net operating expense	\$2,408,155	\$1,481,557	\$1,928,106	\$2,422,905
Operating efficiency ratio (Qtr)	77.0%	85.7%	82.2%	78.8%
Return on assets (Qtr)	0.95%	1.15%	1.09%	1.15%
Daily average net assets - 12-month rolling	\$2,252,712,532	\$2,274,373,263	\$2,336,229,058	\$2,429,765,421
Perpetual contributed capital	\$175,878,664	\$176,955,282	\$177,508,465	\$177,836,244
Retained earnings	\$93,342,745	\$98,594,254	\$103,731,048	\$109,561,845
Retained earnings ratio	4.14%	4.34%	4.44%	4.51%
Leverage ratio	11.68%	11.84%	11.77%	11.56%
Tier one risk-based capital ratio	41.31%	38.71%	36.48%	34.83%
Total risk-based capital ratio	41.32%	38.72%	36.49%	34.83%



FINANCIAL REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	DECEMBER 31,	
	2019	2018
Assets		
Cash and cash equivalents	\$871,914,629	\$996,718,375
Securities purchased under agreements to resell	250,000,000	-
Investments:		
Certificates of deposit	7,124,000	5,444,000
Available-for-sale	1,150,630,913	958,012,099
Federal Home Loan Bank capital stock	949,500	6,723,700
Investments in credit union service organizations (CUSOs)	6,438,901	6,212,726
Loans, net of allowance of \$30,000 and \$- as of December 31, 2019 and 2018, respectively	180,089,018	225,239,210
Accounts receivables and other assets	32,588,200	30,259,791
Property and equipment, net	13,551,248	13,275,481
Goodwill	2,767,548	2,767,548
National Credit Union Share Insurance Fund (NCUSIF)	2,479,573	2,495,943
Total assets	\$2,518,533,530	\$2,247,148,873
Liabilities		
Members' shares and certificates	\$2,210,445,854	\$1,967,561,119
Accrued expenses and other liabilities	16,853,176	15,375,837
Total liabilities	2,227,299,030	1,982,936,956
Members' equity		
Perpetual contributed capital (PCC)	177,836,244	175,268,487
Retained earnings	109,561,845	89,319,179
Non controlling interest	745,474	652,602
Accumulated other comprehensive income/(loss)	3,090,937	(1,028,351)
Total members' equity	291,234,500	264,211,917
Total liabilities and members' equity	\$2,518,533,530	\$2,247,148,873

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

FINANCIAL REPORT

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
Interest income		
Investments available-for-sale	\$31,111,374	\$20,029,873
Federal Reserve Bank	20,147,086	19,027,081
Loans to members	4,556,287	5,440,892
Other	2,253,631	574,958
Total interest income	58,068,378	45,072,804
Interest expense		
Interest on members' shares and certificates	22,016,553	18,391,409
Interest on borrowed funds	2,497,017	1,344,699
Total interest expense	24,513,570	19,736,108
Net interest income	33,554,808	25,336,696
Provision for loan losses	30,000	-
Net interest income after provision for loan losses	33,524,808	25,336,696
Net fee income		
Share draft and depository processing fees	20,294,275	19,678,957
Other fee income	11,267,265	10,322,104
Off-balance-sheet income	10,261,320	10,064,760
Outside processing and service costs	(6,959,467)	(6,053,362)
Total net fee income	34,863,393	34,012,459
Operating expenses		
Compensation and benefits	30,890,288	28,696,633
Information technology	6,721,388	6,289,599
Professional fees	1,177,725	1,334,437
Office occupancy	1,154,439	1,180,114
Other operating expense	3,160,276	3,344,206
Total operating expenses	43,104,116	40,844,989
Other net gains	85,669	278,078
Non controlling interest	(92,872)	6,085
Net income	\$25,276,882	\$18,788,329

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

FINANCIAL REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31,

	2019	2018
Net income	\$25,276,882	\$18,788,329
Other comprehensive income		
Net unrealized holding gains on investments classified as available-for-sale	4,200,123	363,455
Reclassification adjustment for net gains included in net income	(80,835)	-
Other comprehensive income	4,119,288	363,455
Comprehensive income	\$29,396,170	\$19,151,784

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

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2017	\$173,536,556	\$74,460,325	\$633,782	(\$1,391,806)	\$247,238,857
Net income/(loss)	-	18,788,329	(6,085)	-	18,782,244
Net capital contribution at purchase	-	-	24,905	-	24,905
PCC issued	1,736,354	-	-	-	1,736,354
PCC released due to credit union liquidation	(4,423)	-	-	-	(4,423)
Dividends paid on PCC	-	(3,929,475)	-	-	(3,929,475)
Other comprehensive income	-	-	-	363,455	363,455
Balance at December 31, 2018	\$175,268,487	\$89,319,179	\$652,602	(\$1,028,351)	\$264,211,917
Net income	-	25,276,882	92,872	-	25,369,754
PCC issued	2,569,514	-	-	-	2,569,514
PCC released due to credit union liquidation	(1,757)	-	-	-	(1,757)
Dividends paid on PCC	-	(5,034,216)	-	-	(5,034,216)
Other comprehensive income	-	-	-	4,119,288	4,119,288
Balance at December 31, 2019	\$177,836,244	\$109,561,845	\$745,474	\$3,090,937	\$291,234,500

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

FINANCIAL REPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Cash Equivalents

Cash and cash equivalents include pass-through reserves deposited with the Federal Reserve Bank of \$133,544,000 as of December 31, 2019. Member credit unions' reserve balances are included in the members' shares and certificates in the consolidated statements of financial condition as of December 31, 2019. Cash on deposit and cash items in the process of collection from correspondent banks and the Federal Reserve Bank are included in cash and cash equivalents in the consolidated statements of financial condition.

2. Securities Purchased Under Agreements to Resell

Catalyst Corporate enters into purchases of securities under agreements to resell substantially identical securities. Securities purchased under agreements to resell consist of agency mortgage-backed securities. The amounts advanced under these agreements are reflected as assets. It is Catalyst Corporate's policy to take possession of securities purchased under agreements to resell. Agreements with third parties specify Catalyst Corporate's rights to request additional collateral, based on its monitoring of the fair value of the underlying securities on a daily basis. As of December 31, 2019, these agreements are scheduled to mature within 90 days.

3. Investments Available-for-Sale

The amortized cost and estimated fair value of investments available-for-sale as of December 31, 2019 are as follows:

	Amortized Cost	Estimated Fair Value	Unrealized Gain/(Loss)
Asset-backed securities	\$790,160,917	\$792,295,392	\$2,134,475
Agency commercial mortgage-backed securities	227,739,178	229,077,664	1,338,486
Agency mortgage-backed securities	125,722,680	125,324,953	(397,727)
U.S. Treasury and federal agency securities	3,917,201	3,932,904	15,703
Total	\$1,147,539,976	\$1,150,630,913	\$3,090,937

4. Investments in CUSOs

Investments in CUSOs are comprised of the following as of December 31, 2019:

Investment in CO-OP	\$3,081,423
Investment in Primary Financial, LLC	1,663,171
Investment in CU Business Group	1,064,307
Investment in Constellation Digital Partners, LLC	500,000
Investment in CU Investment Solutions, LLC	100,000
Investment in Members Development Company, LLC	30,000
Total	\$6,438,901

In addition to the investments in CUSOs noted in the table, Catalyst Corporate also owns 74 percent of TranzCapture, LLC and 100 percent of Catalyst Strategic Solutions. The non controlling interest of \$745,474 reflected in the consolidated statements of financial condition represents 25 percent ownership interest of TranzCapture, LLC by Alloya Corporate and one percent ownership interest of TranzCapture, LLC by Corporate One. All significant intercompany balances and transactions have been eliminated in the Catalyst Corporate consolidated financial statements.

FINANCIAL REPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Loans to Members

The composition of loans to members is as follows as of December 31, 2019:

Open-end credit lines	\$39,237,717
Term loans	137,360,853
Loan participations, net of allowance	3,490,448
Total	\$180,089,018

6. Members' Shares and Certificates

Members' shares are summarized as follows as of December 31, 2019:

Cash management	\$1,527,477,429
Performance tiered	483,205,833
Reg D reserve	133,544,000
Other	45,937,592
Total	\$2,190,164,854

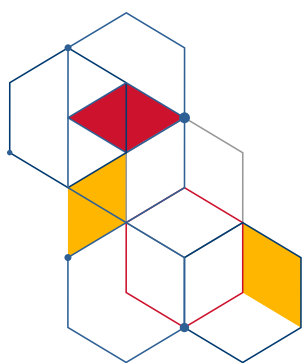
Members' share certificate balance is \$20,281,000 as of December 31, 2019. Catalyst Corporate members transferred \$5,384,630,868 to the Excess Balance Account at the Federal Reserve Bank as of December 31, 2019.

7. Regulatory Capital

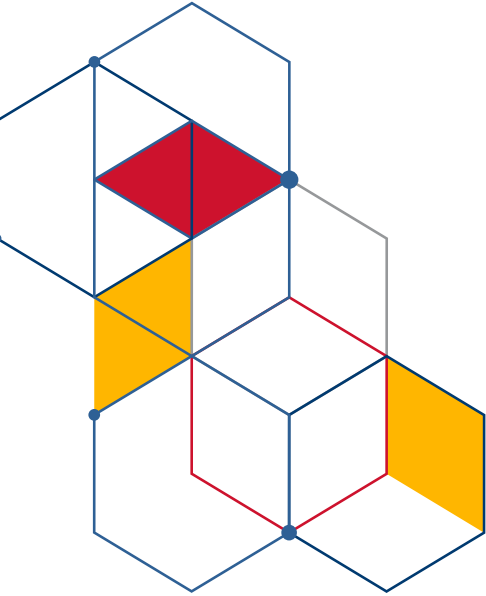
As of December 31, 2019, Catalyst Corporate's retained earnings ratio is 4.51 percent. Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of December 31, 2019.

The table below presents Catalyst Corporate's actual and required capital ratios as of December 31, 2019:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	11.56%	4.00%	5.00%
Tier 1 risk-based capital ratio	34.83%	4.00%	6.00%
Total risk-based capital ratio	34.83%	8.00%	10.00%



ANNUAL REPORT



Annually, Catalyst Corporate engages a third-party firm to conduct an external audit of its financial statements, including the consolidated statement of financial condition and related consolidated statements of income, comprehensive income, members' equity and cash flows for the prior year-end.

For the period ending December 31, 2018, the CPA firm of Doeren Mayhew performed this function. Catalyst Corporate's 2018 Annual Report and 2018 Audited Financials are available on Catalyst Corporate's website under [About Us / Due Diligence / Annual Meeting Materials](#).

Catalyst Corporate's 2020 Annual Meeting is scheduled for, and will be streamed live:

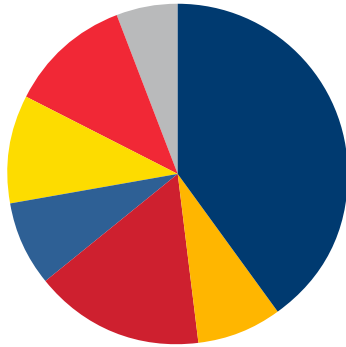
**May 5, 2020, 10 a.m. Central Time at
Catalyst Corporate's headquarters in Plano, Texas**

The 2019 Annual Report and Audited Financials will be presented at the Annual Meeting and posted to Catalyst Corporate's website immediately prior to the Annual Meeting.



RISK MEASURES

CREDIT RISK

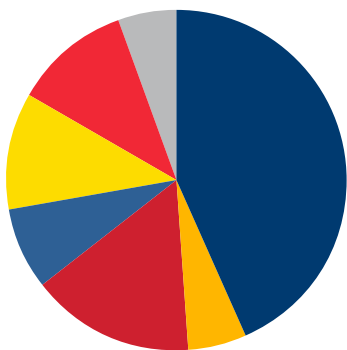


December 31, 2019

Overnight cash	\$871,914,629
Secured Loans	\$176,598,570
Loan participations	\$3,490,448
U.S. Treasury	\$2,099,918
Agency Securities	\$356,235,603
FFELP Student Loan	\$172,510,557
Auto Loan	\$233,656,583
Credit Card	\$260,765,721
Equipment	\$125,362,531

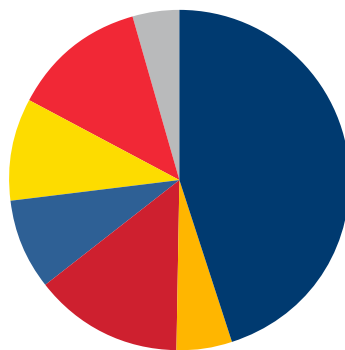
Risk Exposure December 31, 2019

Risk Exposure	Regulatory Limits	Current
Interest rate risk (NEV volatility)	-20.0%	-13.9%
Weighted Average Life of Financial Assets	2.00 years	1.01 years
Weighted Average Life of Financial Assets - Stress Test	2.25 years	1.06 years
Single Obligor Limits (% of Capital)		
Credit Card ABS	50.0%	14.1%
Sector Limits (% of Capital)		
Agency RMBS/CMBS	1000.0%	126.1%
Credit Card ABS	500.0%	92.8%
Asset Diversification (% of Assets)		
Agency RMBS/CMBS	50.0%	14.1%
Credit Card ABS	25.0%	10.4%



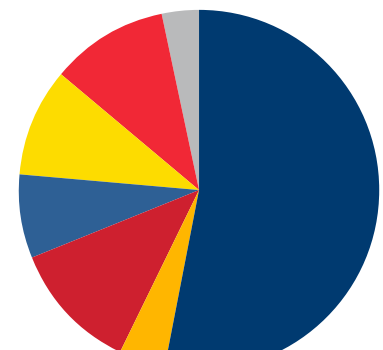
September 30, 2019

Overnight cash	\$959,518,890
Secured Loans	\$135,520,035
Loan participations	\$3,891,549
U.S. Treasury	\$2,095,981
Agency Securities	\$344,042,491
FFELP Student Loan	\$180,512,754
Auto Loan	\$251,952,499
Credit Card	\$253,870,971
Equipment	\$119,190,120



June 30, 2019

Overnight cash	\$1,055,187,309
Secured Loans	\$120,220,193
Loan participations	\$4,365,654
U.S. Treasury	\$2,093,028
Agency Securities	\$313,959,723
FFELP Student Loan	\$199,257,623
Auto Loan	\$230,634,623
Credit Card	\$295,118,337
Equipment	\$100,355,932



March 31, 2019

Overnight cash	\$1,386,576,434
Secured Loans	\$111,476,766
Loan participations	\$5,050,467
U.S. Treasury	\$2,078,918
Agency Securities	\$319,478,740
FFELP Student Loan	\$196,993,150
Auto Loan	\$237,701,376
Credit Card	\$284,759,199
Equipment	\$71,765,572

RISK MEASURES

INTEREST RATE RISK

Catalyst Corporate's primary method of monitoring interest rate risk is through the net economic value (NEV) test. The NEV test measures the dollar and percentage potential change in the fair value of Catalyst Corporate's capital (perpetual contributed capital and retained earnings) given a parallel, instantaneous and permanent 300 basis point upward and downward change in the yield curve.

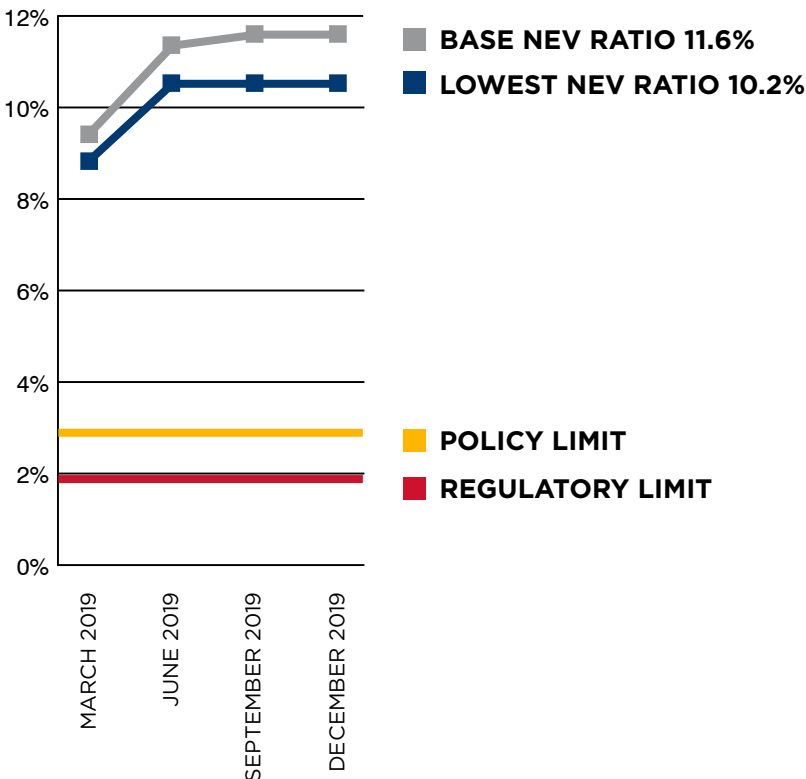
The objective of the NEV test is to measure whether Catalyst Corporate has sufficient capital to absorb potential changes to the fair value of its balance sheet given large, sustained instantaneous interest rate shocks.

A summary of Catalyst Corporate's NEV test at December 31, 2019 is as follows (in thousands):

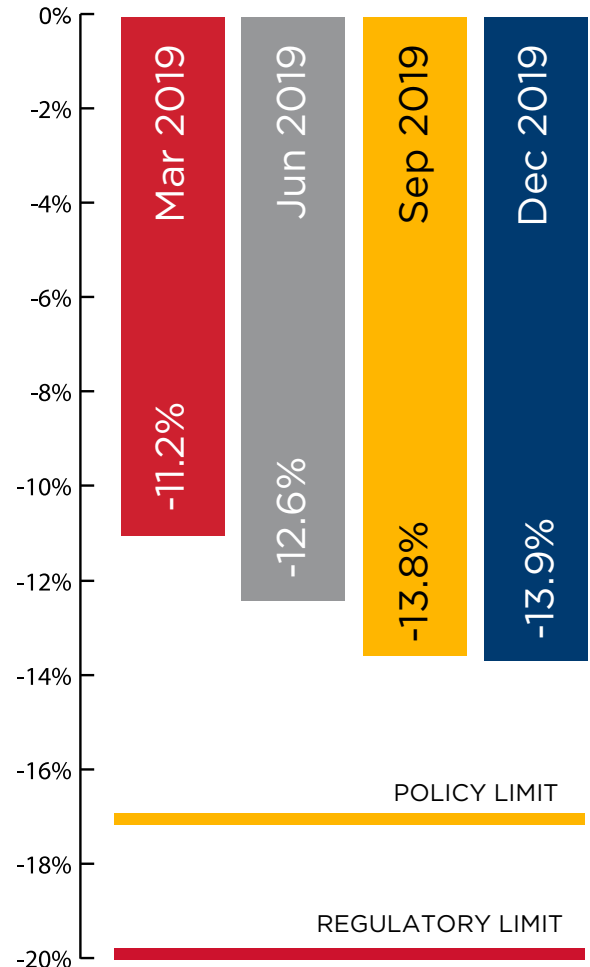
	NEV	\$ Change in NEV	% Change in NEV
Fair Value Base	\$293,600	N/A	N/A
Fair Value +300 BP	\$252,800	(\$40,800)	-13.9%
Fair Value -100 BP*	\$308,300	\$14,700	5.0%

*Interest rates are adjusted down 100 basis points due to the low rate environment at December 31, 2019.

NEV Ratio
(+/- 300 BP Shock Scenarios)



Maximum NEV Change
(+300 BP Change)



RISK MEASURES

LIQUIDITY RISK

Liquidity risk pertains to whether Catalyst Corporate has sufficient short-term assets, marketable securities, and borrowing capacity to meet member credit unions' potential liquidity needs.

As of December 31, 2019, Catalyst Corporate had \$871.9 million in cash and cash equivalents. In addition, Catalyst Corporate had access to a \$337.9 million advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$713.1 million repurchase agreement LOC with J.P. Morgan Securities LLC and a \$30.0 million unsecured Fed Funds LOC with JPMorgan Chase Bank as of December 31, 2019. The advised LOC with FHLB of Dallas and the repurchase agreement LOC with J.P. Morgan Securities LLC are secured with qualified investment securities. There are no outstanding advances under any of these agreements as of December 31, 2019.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate had outstanding loans to members of \$180.1 million and total

uncommitted lines of credit to members of \$10.0 billion at December 31, 2019. All outstanding lines of credit are collateralized by specific or general pledges by members.

Excess Balance Account

Catalyst Corporate uses the Federal Reserve Bank's Excess Balance Account (EBA) to manage excess liquidity by sweeping funds above certain thresholds to member EBAs nightly.

Below is a chart showing member share balances and the EBA balances for the month ending each of the last four quarters.

	Member Share Balances	Excess Balance Account
Mar 2019	\$2.4 billion	\$5.5 billion
Jun 2019	\$2.2 billion	\$5.1 billion
Sep 2019	\$2.2 billion	\$5.0 billion
Dec 2019	\$2.2 billion	\$5.4 billion

Current Portfolio* December 31, 2019

Assets		
ASSETS	PERCENT OF BALANCE SHEET	WAL (YEARS)
Loans	7.1%	3.2
ABS - Autos	9.3%	0.8
ABS - Credit Cards	10.4%	1.1
FFELP Student Loans	6.8%	3.0
Agency RMBS/CMBS	11.1%	1.9
ABS - Equipment	5.0%	0.6
SBA Pools	0.1%	3.1
NCUA Guaranteed Notes	3.0%	0.2
FDIC/NCUA Guaranteed Certificates	0.3%	1.5
Other (Nonearning)	2.3%	5.3
U.S. Treasury	0.1%	0.3
Securities Purchased Under Agreements to Resell	9.9%	0.0
Overnight	34.6%	0.99
Total	100%	

Liabilities & Capital		
SHARES & EQUITY	PERCENT OF BALANCE SHEET	WAL (YEARS)
Overnight Shares	87.8%	0.0
Borrowed Funds	0.0%	0.0
Certificates	0.8%	0.3
Member Capital	7.1%	0.0
RUDE	4.4%	0.0
Total	100.0%	0.00
<i>Asset Average Life Mismatch (years)</i>		<i>0.99</i>

WAL = Weighted Average Life

*Based on a \$2.519 billion balance sheet

PORTFOLIO

ALM LIMITS

DECEMBER 31, 2019	REGULATION	CURRENT
NRSRO Rating AA or Better	AA-	AA+
No Prohibited Securities	None	None
NEV Volatility (Base Plus)	20%	13.9%
NEV Ratio (Base Plus)	2%	10.2%
Weighted Average Life of Financial Assets (yrs)	2.00	1.01
Stressed Weighted Average Life of Financial Assets (yrs)	2.25	1.06

DIVERSIFICATION LIMITS TO ASSET SIZE

DECEMBER 31, 2019	REGULATION	CURRENT
Loans	NA	7.1%
Auto Loan Asset Backed Securities	25%	9.3%
Credit Card Asset Backed Securities	25%	10.4%
FFELP Student Loan Securities	50%	6.8%
Equipment Asset Backed Securities	25%	5.0%
Corporate Bonds	50%	0.0%
Agency Residential/ Commercial Mortgage Backed Securities	50%	14.1%
SBA Pools	25%	0.1%
U.S. Treasury	NA	0.1%
FDIC/NCUA Guaranteed Certificates	NA	0.3%
Securities Purchased under Agreements to Resell	NA	9.9%
Other (Non-Earning)	NA	2.3%
Overnight Investments	NA	34.6%

SINGLE OBLIGOR LIMITS TO CAPITAL*

DECEMBER 31, 2019	REGULATION	CURRENT
Auto Loan Asset Backed Securities	25%	8.6%
Credit Card Asset Backed Securities	50%	14.1%
FFELP Student Loan Securities	25%	8.4%
Equipment Asset Backed Securities	25%	10.3%
Corporate Bonds	25%	0.0%

* Obligor limits are set as a percentage of the corporate's total capital. As of December 31, 2019, total capital is \$280,989,188. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs.

SECTOR LIMITS TO CAPITAL*

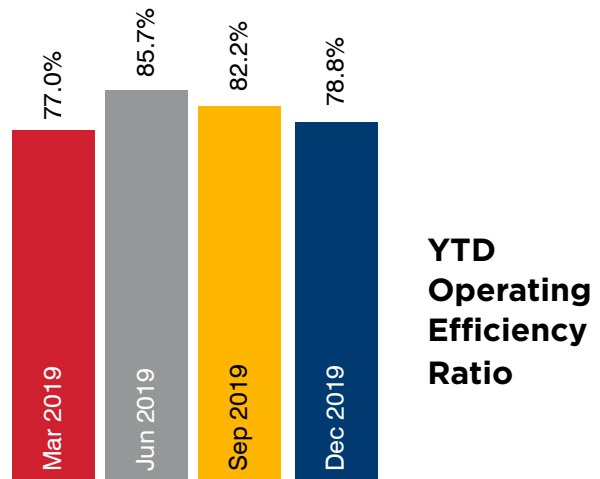
DECEMBER 31, 2019	REGULATION	CURRENT
Auto Loan Asset Backed Securities	500%	83.2%
Credit Card Asset Backed Securities	500%	92.8%
FFELP Student Loan Securities	1,000%	61.4%
Equipment Asset Backed Securities	500%	44.6%
Corporate Bonds	1,000%	0.0%
Agency Residential/ Commercial Mortgage Backed Securities	1,000%	126.1%
SBA Pools	500%	0.7%
U.S. Treasury	NA	0.7%

* Sector limits are set as a percentage of the corporate's total capital. As of December 31, 2019, total capital is \$280,989,188. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs.

KEY PERFORMANCE RATIO GRAPHICS

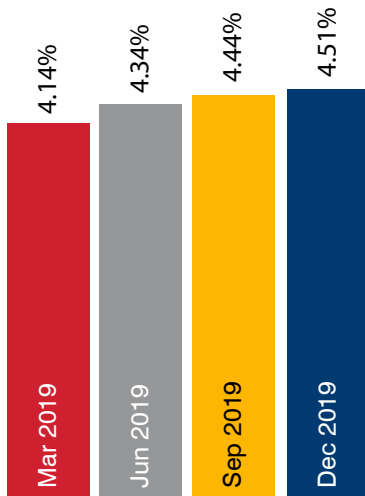
OPERATING EFFICIENCY RATIO

The operating efficiency ratio is calculated as net fee income divided by operating expenses. Catalyst Corporate's ability to cover expenses through fee income supports a business model that is less reliant on balance-sheet activity for income and therefore supports a risk-averse portfolio for the long-term. Management anticipates an operating efficiency ratio ranging from 75 to 85 percent on a long-term basis.

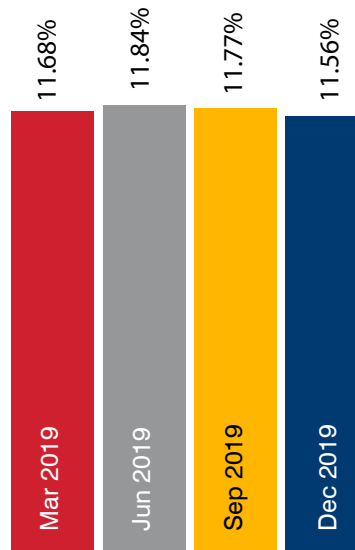


REGULATORY CAPITAL RATIOS

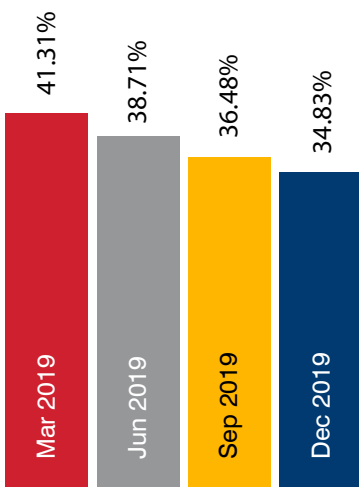
Retained Earnings Ratio



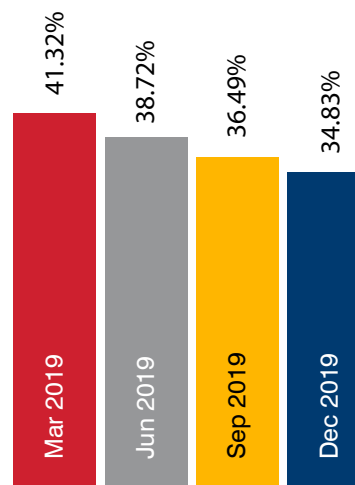
Leverage Ratio



Tier One Risk-Based Capital Ratio



Total Risk-Based Capital Ratio



CUSOs AND PARTNERS

CONSTELLATION DIGITAL PARTNERS, LLC

Constellation Digital Partners, LLC, is an open digital banking platform for credit unions that allows providers to develop and add services into the platform through a cloud-based marketplace-style interface. Credit unions then can choose the services they wish to offer their members from the platform. Catalyst Corporate has an investment of \$500,000 in the CUSO and is developing tiles for the platform.

CU BUSINESS GROUP, LLC

CU Business Group, LLC, provides business service consultation to credit union clients in areas such as:

- Loan origination, underwriting and servicing
- Business deposit services
- Documentation and compliance
- Education and training
- Risk monitoring
- Loan participation network
- Independent loan review
- Strategic consulting and operational training

CU Business Group is owned by six corporate credit unions. As of December 31, 2019, Catalyst Corporate owns approximately 37 percent of this CUSO and has 179 member credit unions using its services.

[Click here](#) to view the most recent audited financial statements, [click here](#) for CU Business Group's full due diligence package, or [contact Member Services](#) at 800.442.5763, Option 1 for copies.

CU COOPERATIVE SYSTEMS, INC./CO-OP FINANCIAL SERVICES

CU Cooperative Systems, better known as CO-OP Financial Services, is a payments and financial technology company that serves 3,500 credit unions and 60 million members. CO-OP payments solutions, engagement services and strategic counsel help credit unions optimize member experiences to consistently provide seamless, personalized multi-channel offerings, while delivering secure, sophisticated fraud mitigation service.

[Click here](#) to view the most recent audited financials of CU Cooperative Systems, Inc./CO-OP Financial Services.

CU INVESTMENT SOLUTIONS, LLC

CU Investment Solutions, LLC provides broker/dealer services to corporates and natural person credit unions. Catalyst Corporate has an investment of \$100,000 in the CUSO, which equates to an 12.5 percent ownership stake. Catalyst Corporate employs registered agents to assist with approximately 154 active credit unions at present; 72 of these have done trades in the past 12 months. Catalyst Corporate's sales volume as of December 31, 2019 was \$1.3 billion.

[Click here](#) to view CU Investment Solutions' recent financial statements, or [contact a representative](#) at 800.301.6196 for a copy.

CUSOURCE, LLC/CATALYST STRATEGIC SOLUTIONS

CUSOURCE, LLC, better known as Catalyst Strategic Solutions, is a wholly-owned CUSO of Catalyst Corporate that provides client credit unions with balance sheet consulting, including an SEC-registered investment advisory service, asset-liability management modeling, derivative hedging support, and related consultation. Catalyst Strategic Solutions has been in operation since 1998. As of December 31, 2019, 89 credit unions use the investment advisory service, and 277 credit unions and corporates use ALM and consulting services. As of December 31, 2019, Catalyst Strategic Solutions had \$3.8 billion in off-balance sheet funds under advisement.

[Click here](#) to view the most recent balance sheet and income statement of CUSOURCE/Catalyst Strategic Solutions, or [contact a representative](#) at 800.301.6196 for a copy.

CUSOs AND PARTNERS

JPMORGAN CHASE

JPMorgan Chase is a Catalyst Corporate partner, facilitating the safekeeping of its members' securities. Catalyst Corporate does not have an ownership stake in JPMorgan Chase, but does entrust execution of highly-regulated service activities to this partner. As a result, Catalyst Corporate monitors its financial and service performance. JPMorgan Chase is deeply familiar with the regulatory requirements credit unions must meet with regard to security safekeeping and due diligence of safekeeping service providers. It is competent and committed to ensuring safe and sound custodianship practices. Catalyst Corporate has 309 credit unions using the program that is offered in partnership with JPMorgan Chase, with approximately \$14 billion in safekeeping for credit unions and \$792 million in corporate holdings as of December 31, 2019. Catalyst Corporate's reverse repurchase agreements are collateralized by approximately \$239 million in agency mortgage-backed securities held by JPMorgan Chase.

To view JPMorgan Chase's Service Organization Controls (SOC1) report, [contact Member Services](#) at 800.442.5763, Option 1 for a copy.

MEMBERS DEVELOPMENT COMPANY, LLC

Members Development Company, LLC provides research and development services to credit unions. The company is owned by approximately 50 credit unions. Members address issues faced by credit unions and work toward the introduction of innovative products and services, along with enhanced opportunities for collaboration and industry education. As of December 31, 2019, Catalyst Corporate has an investment of \$30,000 in Members Development Company, which equates to a 2.08 percent ownership in the company.

PRIMARY FINANCIAL, LLC

Primary Financial, LLC is owned by 10 corporate credit unions and provides brokered certificates of deposit to natural person credit unions nationwide, as well as a channel for these credit unions to issue certificates. Catalyst Corporate has an investment of \$1.7 million in Primary Financial, equating to an 8.0 percent interest in the company. As of December 31, 2019, Catalyst Corporate had SimpliCD agreements with 759 credit unions, including 382 credit unions actively using the service over the last 12 months, and \$653 million in sales year-to-date.

[Click here](#) to view Primary Financial's most recent audited financial statements, or [contact Member Services](#) at 800.442.5763, Option 1 for a copy.

TRANZCAPTURE, LLC

TranzCapture, LLC is a credit union services organization established to provide software services, primarily next-generation remote deposit capture. Services include branch, teller, ATM, business, mobile and ITM (interactive teller machine) capture applications. Catalyst Corporate owns 74 percent of the CUSO, while Alloya Corporate Federal Credit Union owns 25 percent of the CUSO and Corporate One Federal Credit Union owns one percent of the CUSO. As of December 31, 2019, 1,739 credit unions were using TranzCapture services.

[Click here](#) to view TranzCapture's most recent financial statements, or [contact Member Services](#) at 800.442.5763, Option 1 for a copy.

OPERATIONAL COMPLIANCE

BUSINESS CONTINUITY SUMMARY

Catalyst Corporate's Business Continuity Program is based on industry best practices and Federal Financial Institutions Examination Council (FFIEC) guidelines. Oversight is performed by a board-approved committee consisting primarily of Catalyst Corporate senior management and volunteers. The Business Continuity Management Program and related activities are reviewed annually by the board of directors.

Catalyst Corporate utilizes a Business Continuity Lifecycle, which defines five major elements representing a specific set of tasks, procedures and outcomes that can be used as a guideline for developing a business continuity program. The five planning sections of the Business Continuity Lifecycle are:

- Analyze the business
- Assess the continuity risks
- Develop the strategy
- Develop the plan
- Exercise and maintain the plan

Catalyst Corporate performs the steps of the Business Continuity Lifecycle at least annually. Controls have been identified and implemented to help minimize or prevent potential loss from a disruption or disaster. Observations and deficiencies noted during the Continuity Risk Assessment (CRA) are documented and presented to the board of directors annually.

Catalyst Corporate attempts to minimize the impact of threats by implementation of preventative controls. Following guidance from the NCUA, Catalyst Corporate assesses its cybersecurity risk and maturity using the Automated Cybersecurity Assessment Tool (ACET) that is based on FFIEC'S Cybersecurity Assessment Tool. In the event that preventative controls fail to protect from a threat, the overall business continuity strategy is to plan for impacts that escalate all the way through to the worst-case scenario in order to develop plans of action that are applicable to most any situation. These situations may range from non-catastrophic outages of individual computing systems or

business processes to catastrophic outages that require relocation of the entire operation to the hot-site. The following business continuity strategies provide the framework for ensuring that Catalyst Corporate can sustain critical business processes at a level acceptable to the business and to member credit unions.

Business Continuity Plans

Business continuity plans are developed for each business process to document the procedures to be followed in order to achieve the minimum service level requirements and recovery time objectives. Solutions are identified for potential issues, and resources are put in place to ensure timely resolution to anticipated service disruptions.

Business units have developed and refined both continuity plans for their critical systems and exercise plans to validate those continuity plans. These plans, which are approved by senior management, collectively address a wide variety of scenarios:

- Employee Emergency Procedures provide guidance on what steps should be taken in the event certain threats occur.
- Immediate Action Items document immediate actions in disaster declaration mode both before and after arrival at the Work Area Continuity site.
- Disaster Declaration Plans address the building being indefinitely inaccessible and/or totally destroyed.
- Temporary Evacuation Plans address the evacuation of the building for a few hours.
- The Pandemic Preparedness Plan details the steps that need to be taken in the event of a pandemic event. Tabletop exercises and Pandemic Advisory Group meetings are held, as needed, to ensure capability for handling such situations efficiently and effectively.

Backup

Catalyst Corporate knows that recovery of data from magnetic media backup will take longer than what is acceptable during a disaster. To mitigate this concern, a hot-site is managed so that data is mirrored or replicated to identical equipment for

OPERATIONAL COMPLIANCE

BUSINESS CONTINUITY SUMMARY (CONTINUED)

rapid recovery. Additionally, systems and data are backed up as often as required and the backup files are sent off-site for long-term storage. Data tapes are tested periodically to verify the backup system is working properly.

Hot-site

The hot-site provides a highly secured environment with connectivity to multiple telecommunication carriers and utility power grids. Utility power is also backed up by an uninterruptible power supply (UPS) and generator. Data at the hot-site is stored on Catalyst Corporate-owned equipment. Redundant firewalls, routers, switches, load balancers, IBM iSeries, servers and data storage devices are in place and are exercised on a regular basis to protect against prolonged service disruptions. Redundant high-speed telecommunication lines are installed to connect the hot-site to Catalyst Corporate's Plano, Texas data center for rapid transmission of high volumes of data and images. Storage Area Network (SAN) data is distributed to both the production and hot-site synchronously (active/active), significantly reducing the recovery time objective for virtualized servers.

Critical physical servers are duplicated with equivalent hardware at the hot-site and the associated data is replicated in real time to its hot-site counterpart. File data is continuously mirrored to the hot-site utilizing Storage Replication Management (SRM) technologies.

Work Area Continuity Site

Catalyst Corporate leases office space in the same building as the hot-site for the Work Area Continuity site. With direct connection to the hot-site for access to the AS/400, servers and disk storage, this site houses the necessary workstations, work area, telecommunications and network connections to continue operations in the event of a disruption. Business units maintain off-site storage of supplies and documentation needed to continue operations.

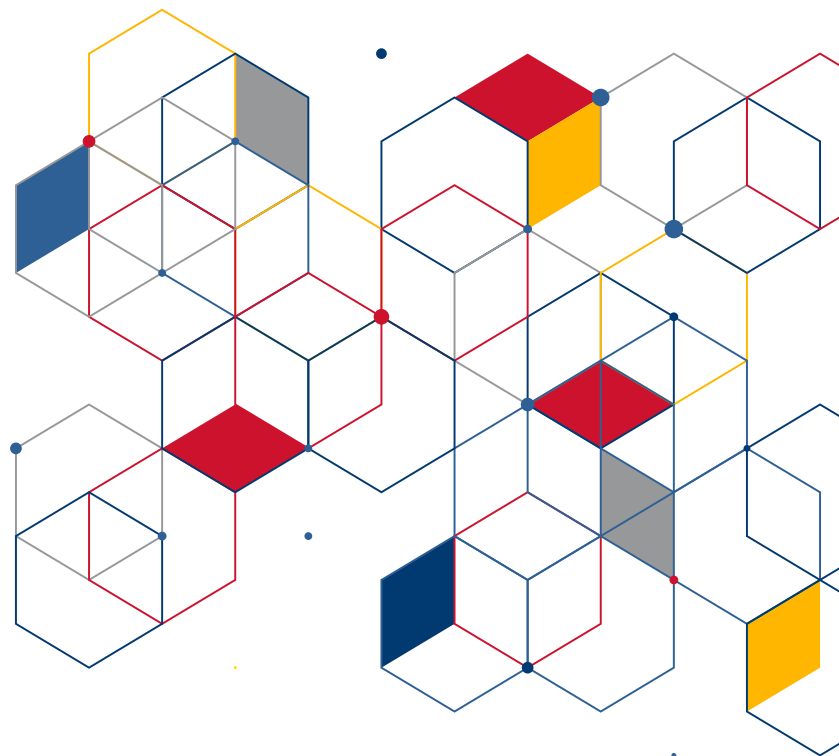
Continuity Exercises

Critical business processes identified in the Business Impact Analysis are exercised at least annually, and some of the more critical systems are exercised on a quarterly basis. Exercise exceptions are presented to senior management after each exercise. An overview of all exercises and exercise exceptions is presented to the board of directors annually.

Contingency Communications

Guidelines are available that provide information on how to establish communications with Catalyst Corporate as soon as possible following an event that causes a service disruption.

Credit unions and Catalyst Corporate employees maintain familiarity with these contingency communications plans by conducting semi-annual exercises. [Click here](#) to view Catalyst Corporate's Contingency Communications guidelines.



OPERATIONAL COMPLIANCE

BUSINESS CONTINUITY ACTIVITY REPORT

Service Alert Message (SAM) System

Regular SAM notifications, sent to participating credit unions, ensure that credit union contact information for specific processes is maintained and communications to member credit unions regarding the nature and duration of process specific disruptions is timely. The SAM system was used multiple times in 2019 to ensure successful communication with member credit unions in the event of a system disruption.

Contingency Communications Exercises

Contingency Communications Exercises are conducted at least semi-annually to ensure timely communications to member credit unions regarding the nature and duration of a service disruption in an effort to minimize the impact on operations. These exercises began in September 2002 with participation from a total of 153 credit unions. Catalyst Corporate now has the participation of 1,177 credit unions, partners and CUSOs in these exercises (as of December 2019).

Disaster Recovery Exercises

Disaster Recovery Exercises are conducted for all critical business processes. Each business unit has identified and prioritized by function the critical systems in its disaster recovery plan. The exercises are designed to compare results to pre-established Recovery Time Objectives. No significant issues were identified during the disaster recovery exercises performed in 2019.

Employee Notification Exercise

Employee notification exercises are conducted on a regular basis to ensure immediate and responsive communication to Catalyst Corporate management and employees in the event of a business continuity event. An off-premise notification and conferencing system can deliver alerts and information by phone, text and email. Additionally, conference bridges are available to streamline recovery collaboration efforts. Multiple employee notification exercises were conducted successfully in 2019.

Magnetic Media Recovery Exercise

The magnetic media recovery exercise is conducted quarterly, if necessary, to validate that off-site backup data can be recalled and recovered by magnetic media (tape). Routine business activity often requires items to be restored outside the on-premise retention window. Day-to-day recovery needs in 2019 demonstrated the ability to recover from magnetic media.

Application Specific Exercises

Catalyst Corporate conducts application specific exercises of its critical systems and simulates scenarios that are different from those used during Catalyst Corporate's full-scale exercises in order to assess additional areas of coverage.

OPERATIONAL COMPLIANCE

BANK SECRECY ACT (BSA)/OFFICE OF FOREIGN ASSETS CONTROL (OFAC) SUMMARY

Catalyst Corporate is committed to fulfilling the requirements of the BSA, the OFAC, and the USA PATRIOT Act. Catalyst Corporate's BSA Policy is reviewed and approved by the board of directors at least annually.

Anti-money laundering procedures have been developed and implemented that enable Catalyst Corporate to meet the requirements of the BSA, OFAC, USA PATRIOT Act, and the Financial Crimes Enforcement Network (FinCEN). These procedures and controls include, but are not limited to, the following:

- Coordination and monitoring of compliance by a designated BSA compliance officer.
- A Member Identification Program designed to meet the requirements of Section 326 of the USA PATRIOT Act.
- BSA/OFAC risk assessment of Catalyst Corporate processes, products and services, and members.
- Review of unbatched transactions for the detection and reporting of suspicious activity to FinCEN.
- A documented process for analysis and reporting of suspicious activity.
- Entities, countries and individuals associated with unbatched transactions screened for potential matches against OFAC lists.
- Review of member accounts in accordance with Section 314(a) of the USA PATRIOT Act.
- Monthly reporting of BSA and OFAC activity to the board of directors.
- Ongoing training of appropriate personnel.
- Independent testing and monitoring of compliance.
- Recordkeeping and record retention.
- An annual review of policies, procedures and risk assessments.
- Checks and balances, including a query validation process, a retention validation process, and the use of dual control.

FIDELITY BOND STATEMENT

NCUA Part 704.18 states that "every corporate credit union will maintain bond coverage with a company holding a certificate of authority from the Secretary of the Treasury" and "the minimum amount of bond coverage will be computed based on the corporate credit union's daily average net assets for the preceding calendar year."

Catalyst Corporate maintains a \$10 million fidelity bond which is the coverage required by NCUA Part 704.

PRIVACY AND SECURITY

DESCRIPTION OF THE PRIVACY AND SECURITY AFFIDAVITS

The Affidavits below are provided to assist member credit unions with their due diligence and compliance with NCUA Rules and Regulations Parts 717 and 748, CFPB Regulation P (Part 1016) and the Payment Card Industry Data Security Standards.

Affidavit Regarding Part 717

Catalyst Corporate places a high priority on security, and utilizes security measures to protect not just nonpublic personal information and information about “covered accounts” (as defined in Part 717), but all types of confidential information that it receives from its member credit unions.

Under Part 717 of the NCUA’s Regulations, Catalyst Corporate is deemed to be a “service provider” to its member credit unions. Catalyst Corporate is providing this Affidavit in order to assist member credit unions in their compliance with Part 717. The Affidavit is written in general language so that member credit unions can utilize the Affidavit regardless of the level of complexity of their security programs.

Catalyst Corporate utilizes policies and procedures, developed by the corporate, that are designed to prevent, detect and mitigate the risk of security breaches that could result in a member of a credit union, or any other person, being exposed to identity theft. These policies and procedures will apply to all circumstances in which Catalyst Corporate processes or otherwise has access to confidential information, whether in connection with providing services for a “covered account” held at a credit union or otherwise.

- Catalyst Corporate agrees not to use nonpublic personal information about any credit union’s members, or about any other person, for any purpose other than those purposes for which the credit union disclosed the information to Catalyst Corporate, including servicing and processing of transactions in the ordinary course of business.

- Catalyst Corporate will utilize security measures that Catalyst Corporate deems to be appropriate for the protection of nonpublic personal information about credit union members and other persons, with particular attention to protection against unauthorized access to or unauthorized use of such information that could result in substantial harm or inconvenience to any credit union’s members or to any other person.
- Catalyst Corporate has an Incident Response Plan in place that provides guidance for our response if a security breach occurs. If an incident occurs that involves unauthorized access to or unauthorized use of nonpublic personal information about any credit union’s members or about any other person, Catalyst Corporate will take actions that Catalyst Corporate deems to be appropriate, including notification to the affected credit union as soon as possible of any such incident.
- Catalyst Corporate will utilize security measures designed to accomplish the proper disposal of nonpublic personal information held by Catalyst Corporate. If immediate deletion or disposal of the nonpublic personal information held by Catalyst Corporate is not feasible, then until the date when deletion or disposal of the information occurs, Catalyst Corporate will continue to utilize security measures designed to protect the information against unauthorized access and against unauthorized use.

PRIVACY AND SECURITY

Affidavit Regarding Part 1016 (Regulation P) and Part 748

Catalyst Corporate places a high priority on security, and utilizes security measures to protect not just nonpublic personal information, but all types of confidential information that it receives from its member credit unions.

Under Part 1016 (Regulation P) of the Consumer Financial Protection Bureau's Regulations and Part 748 of the NCUA's Regulations, Catalyst Corporate is deemed to be a "service provider" to its member credit unions. Catalyst Corporate is providing this Affidavit in order to assist member credit unions in their compliance with Part 1016 and Part 748. The Affidavit is written in general language so that member credit unions can utilize the Affidavit regardless of the level of complexity of their security programs.

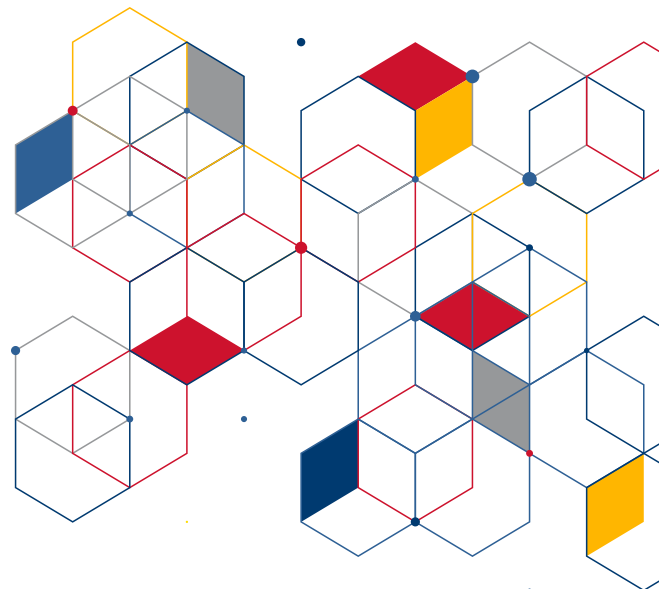
Catalyst Corporate agrees not to use nonpublic personal information about any credit union's members, or about any other person, for any purpose other than those purposes for which the credit union disclosed the information to Catalyst Corporate, including servicing and processing of transactions in the ordinary course of business.

Catalyst Corporate will utilize security measures that Catalyst Corporate deems to be appropriate for the protection of nonpublic personal information about credit union members and other persons, with particular attention to protection against unauthorized access to or unauthorized use of such information that could result in substantial harm or inconvenience to any credit union's members or to any other person. Catalyst Corporate's security program establishes standards for the protection of

information assets. These standards are intended to be consistent with Part 748 of the NCUA rules and regulations. The program includes a data classification to protect information assets. In addition, Catalyst has a risk assessment process in place to evaluate risks, including security related risks.

Catalyst Corporate has an Incident Response Plan in place that provides guidance for our response if a security breach occurs. If an incident occurs that involves unauthorized access to or unauthorized use of nonpublic personal information about any credit union's members or about any other person, Catalyst Corporate will take actions that Catalyst Corporate deems to be appropriate, including notification to the affected credit union as soon as possible of any such incident.

Catalyst Corporate will utilize security measures designed to accomplish the proper disposal of nonpublic personal information held by Catalyst Corporate. If immediate deletion or disposal of the nonpublic personal information held by Catalyst Corporate is not feasible, then until the date when deletion or disposal of the information occurs, Catalyst will continue to utilize security measures designed to protect the information against unauthorized access and against unauthorized use.



PRIVACY AND SECURITY

Affidavit Regarding PCI Data Security Standards

Catalyst Corporate places a high priority on security, and utilizes security measures to protect card data, in addition to many types of confidential information that it receives from its member credit unions.

This Affidavit is written in general language so that member credit unions can utilize the Affidavit regardless of the level of complexity of their security programs.

Catalyst Corporate has achieved full compliance to Payment Card Industry Data Security Standards. PCI DSS is a set of multifaceted security standards established by the major card brands (including Visa and MasterCard) to protect cardholder account information. These best practices include requirements for security management, policies, procedures, network architecture, software design and other critical protective measures.

[Click here](#) to access the PCI DSS on PCI Security Council's website.

Catalyst Corporate will utilize security measures that Catalyst Corporate deems to be appropriate, and comply with PCI DSS, for the protection of card data with particular attention to protection against unauthorized access to or unauthorized use

of such data that could result in substantial harm or inconvenience to any credit union's members or to any other person. Catalyst Corporate's security program establishes standards for the protection of information assets, including card data. Also, Catalyst Corporate has a risk assessment process in place to evaluate risks, including security-related risks.

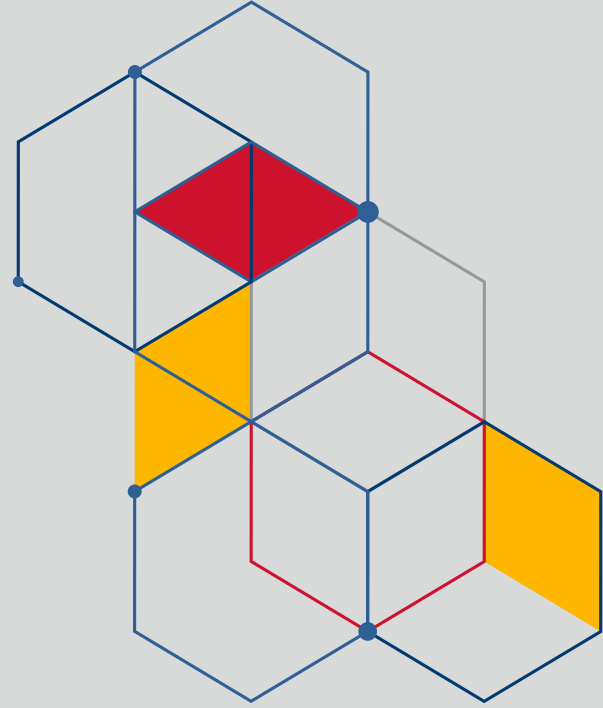
Catalyst Corporate has an incident response plan in place that provides guidance for our response if a security breach occurs. If an incident occurs that involves unauthorized access to or unauthorized use of card data, Catalyst Corporate will take actions that Catalyst Corporate deems to be appropriate, including notification to the affected credit union as soon as possible of any such incident.

Catalyst Corporate will utilize security measures designed to accomplish the proper disposal of card data held by Catalyst Corporate. If immediate deletion or disposal of the card data held by Catalyst Corporate is not feasible, then until the date when deletion or disposal of the data occurs, Catalyst Corporate will continue to utilize security measures designed to protect the data against unauthorized access and against unauthorized use.

SSAE18 STATEMENT

Catalyst Corporate is committed to the confidentiality, integrity and availability of its operations, information, information systems and members' information. To meet these objectives, Catalyst Corporate has implemented and continues to develop internal controls. To demonstrate compliance with these controls, Catalyst Corporate engaged a firm to perform an SSAE18 review for the period October 2018-September 2019.

The SSAE18/SOC1 review is available to credit unions who contact memberservices@catalystcorp.org or 800.442.5763, option 1. The report also may be downloaded from TranZact by authorized users.



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