

2022 Due Diligence Report



Letter from the President

Dear Valued Credit Unions:

Catalyst Corporate Federal Credit Union is providing this **2022 Due Diligence Report** to update credit unions on its performance and to support their due diligence efforts. This document provides information that supports Catalyst Corporate's mission to empower credit union success. Catalyst Corporate's operating fundamentals have remained consistent for more than 11 years. These operating fundamentals also guide prioritization of initiatives in planning strategically for the future.

Catalyst Corporate's ongoing initiatives include...

- Maintaining and building financial strength.
- Protecting credit union assets by closely monitoring and managing risks.
- Engaging long-term planning to leverage market forces to its advantage.
- Being transparent regarding financial performance and operational practices.
- Incorporating leading technologies to achieve its objectives.
- Leveraging a culture of innovation to remain relevant.
- Continuously striving to maximize efficiency.
- Ensuring decisions are guided by its structure as a member-owned cooperative.
- Prioritizing strategies that create value for credit unions.
- Achieving and maintaining high service levels reflective of its role as a member-owned cooperative.
- Maintaining a strong degree of engagement with its volunteer leadership, who are a primary link to the membership at large.
- Developing and retaining a well-qualified and motivated staff.
- Ensuring a safe, diverse, equitable and inclusive workplace.
- Serving as a thought leader in the credit union industry.

Among Catalyst Corporate's 2023 new service initiatives are...

- Faster Payment solutions, including FedNowSM Service, The Clearing House RTP[®] Network and Moli P2P
- CU LoanPay, an online service that enables credit unions to collect loan payments from other financial institutions
- A Teller Capture integration with Jack Henry Symitar Episys
- Online bond trading platform
- Capital stress testing service

The 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 credit unions. The Due Diligence Report is posted annually and is downloadable from Catalyst Corporate's website under [About Us / Due Diligence](#). We hope the successful implementation of Catalyst Corporate's credit union-driven strategies serves as affirmation of your credit union's decision to support this organization through capitalization and ongoing patronage. 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, 2022 totaled \$55,308,120. December year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2022 of 74.9 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 2022	APR-JUN 2022	JUL-SEP 2022	OCT-DEC 2022
Net interest income	\$4,050,656	\$6,381,067	\$8,489,747	\$10,781,842
Recapture of loan losses	-	6,915	-	23,431
Net interest income after recapture of loan losses	4,050,656	6,387,982	8,489,747	10,805,273
Net fee income	10,372,379	10,469,679	10,182,986	9,750,872
Operating expenses	(13,106,164)	(13,374,502)	(13,889,485)	(14,085,192)
April 2022 fee waiver	-	(2,835,941)	-	-
Other income on U.S. Central Estate Settlement	20,642,325	-	18,075,809	-
Other net gains	1,640,900	-	-	-
Non controlling interest	336,752	490,588	517,691	385,765
Net income	\$23,936,848	\$1,137,806	\$23,376,748	\$6,856,718

Key information

Net operating expense	\$2,733,785	\$2,904,823	\$3,706,499	\$4,334,320
Operating efficiency ratio (Qtr)	79.1%	78.3%	73.3%	69.2%
Return on assets (Qtr)	2.33%	0.11%	2.36%	0.72%
Daily average net assets – 12-month rolling	\$4,167,745,313	\$4,033,505,620	\$3,929,737,726	\$3,796,319,316
Perpetual contributed capital (PCC)	\$185,977,387	\$186,580,840	\$186,582,231	\$187,417,762
Retained earnings	\$216,238,521	\$181,186,384	\$186,715,130	\$192,161,001
Retained earnings ratio	5.19%	4.49%	4.75%	5.06%
Leverage ratio	9.46%	8.92%	9.29%	9.75%
Tier one risk-based capital ratio	33.97%	29.63%	28.06%	27.55%
Total risk-based capital ratio	33.98%	29.63%	28.06%	27.55%
Operating efficiency ratio (YTD)	79.1%	78.7%	76.9%	74.9%



Financial Report

Consolidated Statements of Financial Condition

(Unaudited)

	DECEMBER 31,	
	2022	2021
Assets		
Cash and cash equivalents	\$1,504,720,925	\$2,338,598,620
Investments:		
Available-for-sale	1,702,886,593	1,590,056,874
Central Liquidity Facility (CLF) capital stock	-	97,697,731
Other investments	43,466,967	14,849,198
Loans, net of allowance of \$14,620 and \$47,235 as of December 31, 2022 and 2021, respectively	685,649,497	227,596,667
Accrued receivables and other assets	41,350,101	32,825,826
Property and equipment, net	13,694,311	14,277,583
Goodwill and other intangible assets	7,277,553	7,687,553
National Credit Union Share Insurance Fund (NCUSIF)	2,390,296	2,463,194
Total assets	\$4,001,436,243	\$4,326,053,246
Liabilities		
Borrowed funds	\$199,844,000	\$-
Members' shares	3,030,886,158	3,847,444,620
Members' certificates	394,881,067	79,605,000
Accrued expenses and other liabilities	19,448,294	18,342,081
Total liabilities	3,645,059,519	3,945,391,701
Members' equity		
PCC	187,417,762	179,026,250
Retained earnings	192,161,001	192,567,414
Non controlling interest	10,973,240	6,539,789
Accumulated other comprehensive (loss)/income	(34,175,279)	2,528,092
Total members' equity	356,376,724	380,661,545
Total liabilities and members' equity	\$4,001,436,243	\$4,326,053,246

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,

	2022	2021
Interest income		
Available-for-sale investments	\$31,175,488	\$12,988,370
Federal Reserve Bank	19,360,327	2,915,710
Loans	12,747,613	2,133,651
Other	2,228,583	512,608
Total interest income	65,512,011	18,550,339
Interest expense		
Borrowed funds	1,506,510	201
Members' shares	29,919,413	831,255
Members' share certificates	4,382,776	127,279
Total interest expense	35,808,699	958,735
Net interest income	29,703,312	17,591,604
Recapture of loan losses	30,346	14,177
Net interest income after recapture of loan losses	29,733,658	17,605,781
Net fee income		
Share draft and depository processing fees	20,897,707	19,769,931
Off-balance-sheet income	11,467,505	13,463,260
Other fee income	17,945,621	16,773,470
Outside processing and service costs	(9,534,917)	(8,470,069)
Total net fee income	40,775,916	41,536,592
Operating expenses		
Compensation and benefits	39,502,582	35,793,531
Information technology	8,782,527	8,186,084
Professional fees	1,875,748	1,542,107
Office occupancy	1,235,404	1,189,730
Other operating expense	3,059,082	2,512,265
Total operating expenses	54,455,343	49,223,717
April 2022 fee waiver	(2,835,941)	—
Other income on U.S. Central Estate settlement	38,718,134	52,647,841
Other net gains	1,640,900	283,124
Non controlling interest	1,730,796	412,710
Net income	\$55,308,120	\$63,262,331

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,

	2022	2021
Net income	\$55,308,120	\$63,262,331
Other comprehensive loss		
Net unrealized holding losses on investments classified as available-for-sale	(36,332,384)	(9,982,386)
Net unrealized holding losses on derivatives designated as cash flow hedges	(370,987)	-
Reclassification adjustment for net gains included in net income	-	(253,288)
Total other comprehensive loss	(36,703,371)	(10,235,674)
Comprehensive income	\$18,604,749	\$53,026,657

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

Consolidated Statements of Members' Equity

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2020	\$178,199,420	\$130,397,764	\$4,997,499	\$12,763,766	\$326,358,449
Net income/(loss)	-	63,262,331	(412,710)	-	62,849,621
Capital contribution - additional	-	-	1,955,000	-	1,955,000
PCC issued	826,830	-	-	-	826,830
Dividends paid on PCC	-	(1,092,681)	-	-	(1,092,681)
Other comprehensive loss	-	-	-	(10,235,674)	(10,235,674)
Balance at December 31, 2021	\$179,026,250	\$192,567,414	\$6,539,789	\$2,528,092	\$380,661,545
Net income/(loss)	-	55,308,120	(1,730,796)	-	53,577,324
Capital contribution - additional	-	-	6,584,100	-	6,584,100
Dividend distribution	-	-	(419,853)	-	(419,853)
PCC issued	8,391,512	-	-	-	8,391,512
Dividends paid on PCC	-	(2,700,059)	-	-	(2,700,059)
Non pro-rata dividend distribution	-	(53,014,474)	-	-	(53,014,474)
Other comprehensive loss	-	-	-	(36,703,371)	(36,703,371)
Balance at December 31, 2022	\$187,417,762	\$192,161,001	\$10,973,240	(\$34,175,279)	\$356,376,724

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 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. Available-for-Sale Investments

The amortized cost and estimated fair value of available-for-sale investments as of December 31, 2022 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Asset-backed securities	\$1,077,020,645	\$1,063,745,152	(\$13,275,493)
Agency commercial mortgage-backed securities	446,677,556	431,833,963	(14,843,593)
Agency mortgage-backed securities	41,983,033	39,391,700	(2,591,333)
Corporate debt obligations	29,810,676	29,480,826	(329,850)
U.S. Treasury and federal agency securities	141,198,975	138,434,952	(2,764,023)
Total	\$1,736,690,885	\$1,702,886,593	(\$33,804,292)

3. Other Investments

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

Investments in credit union service organizations (CUSOs)	\$7,290,967
Interest-bearing certificates of deposit	15,951,000
FHLB capital stock	18,225,000
Other	2,000,000
Total	\$43,466,967

Investments in CUSOs includes equity method investments in CU Business Group, LLC, and Primary Financial, LLC and investments carried at cost, less impairments, if any, which include investments in CO-OP, CURQL Fund I, LLP, Constellation Digital Partners, LLC, CU Investment Solutions, LLC, Members Development Company, LLC and PSCU.

4. Loans

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

Open-end credit lines	\$234,534,909
Term loans	450,705,499
Loan participations, net of allowance	409,089
Total	\$685,649,497



Financial Report

Notes To Consolidated Financial Statements (continued)

5. Members' Shares

Members' shares are summarized as follows as of December 31, 2022:

Cash management	\$1,624,822,672
Performance tiered	1,313,161,466
Other	92,902,020
Total	\$3,030,886,158

Catalyst Corporate members transferred \$3,402,506,540 to the Excess Balance Account at the Federal Reserve Bank as of December 31, 2022.

6. Regulatory Capital

As of December 31, 2022, Catalyst Corporate's retained earnings ratio is 5.06%. Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of December 31, 2022.

The table below presents Catalyst Corporate's actual and required capital ratios as of December 31, 2022:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	9.75%	4.00%	5.00%
Tier 1 risk-based capital ratio	27.55%	4.00%	6.00%
Total risk-based capital ratio	27.55%	8.00%	10.00%

7. U.S. Central Estate Settlement

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to the capital holders of the U.S. Central Asset Management Estate (USC AME). Catalyst Corporate holds an interest in the USC AME related to claims from Georgia Corporate Federal Credit Union (Georgia Corporate) and First Corporate Federal Credit Union (First Corporate). The total expected recovery for Catalyst Corporate is approximately \$104,300,000. As of September 2022, Catalyst Corporate has received four distributions in 2021 and 2022 totaling \$91,200,000 with the remaining \$13,100,000 projected to be received in 2023.

Catalyst Corporate's Board of Directors intended to distribute a portion of the funds received from the USC AME solely to former member credit unions of Georgia Corporate and First Corporate that are, or would become, fully capitalized PCC members of Catalyst Corporate in an amount equal to the capital that they lost at either Georgia Corporate or First Corporate. Distributions of \$35,862,906 and \$17,151,568 were made on June 1, 2022 and September 30, 2022, respectively.

The Catalyst Corporate Board of Directors also approved a fee waiver of all recurring monthly member services fees on the April 2022 billing invoice totaling \$2,835,941.



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, 2021, the CPA firm of Doeren Mayhew performed this function. Catalyst Corporate's 2021 Annual Report and 2021 Audited Financials are available on Catalyst Corporate's website under [About Us / Due Diligence / Annual Meeting Materials](#).



Catalyst Corporate's 2023 Annual Meeting will be held in-person and streamed live on:

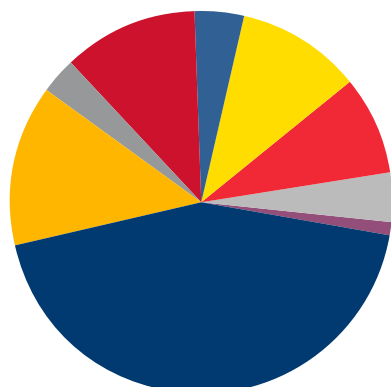
**May 2, 2023, 10 a.m. Central Time from
Catalyst Corporate's headquarters in Plano, Texas.**

The 2022 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

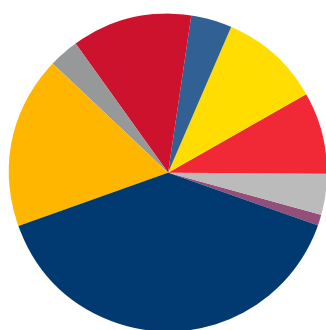


December 31, 2022

Overnight Cash	\$1,504,720,925
Secured Loans	\$685,240,408
Loan Participations	\$409,089
U.S. Treasury	\$137,325,044
Agency Securities	\$472,335,571
FFELP Student Loans	\$162,863,468
Auto Loans	\$380,354,160
Credit Cards	\$374,620,968
Equipment	\$145,906,556
Corporate Bonds	\$29,480,826

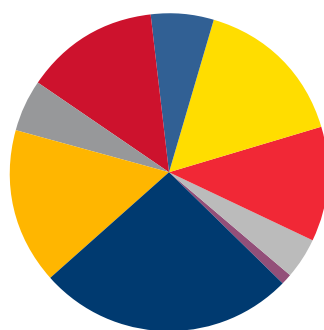
Risk Exposure December 31, 2022

Risk Exposure	Regulatory Limits	Current
Interest rate risk (NEV volatility)	-20.0%	-16.6%
Weighted Average Life of Financial Assets	2.00 years	0.98
Weighted Average Life of Financial Assets - Stress Test	2.25 years	1.01
Single Obligor Limits (% of Capital)		
Credit Card ABS	50%	13.4%
Sector Limits (% of Capital)		
Agency RMBS/CMBS	1000%	127.3%
Credit Card ABS	500%	101.2%
Asset Diversification (% of Assets)		
Agency RMBS/CMBS	50%	11.8%
Credit Card ABS	25%	9.4%



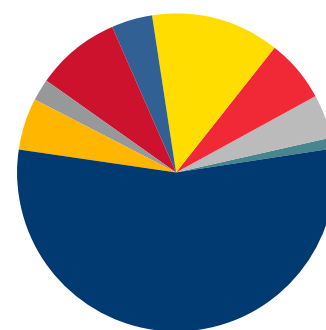
September 30, 2022

Overnight Cash	\$1,950,105,876
Secured Loans	\$616,924,137
Loan Participations	\$471,872
U.S. Treasury	\$145,842,337
Agency Securities	\$500,570,046
FFELP Student Loans	\$189,044,141
Auto Loans	\$473,035,305
Credit Cards	\$352,341,150
Equipment	\$163,656,018
Corporate Bonds	\$29,352,766



June 30, 2022

Overnight Cash	\$898,048,766
Secured Loans	\$534,575,002
Loan Participations	\$587,527
U.S. Treasury	\$163,009,020
Agency Securities	\$462,296,408
FFELP Student Loans	\$210,932,716
Auto Loans	\$529,304,878
Credit Cards	\$404,431,797
Equipment	\$149,412,431
Corporate Bonds	\$29,465,281



March 31, 2022

Overnight Cash	\$2,152,275,543
Secured Loans	\$207,592,692
Loan Participations	\$707,374
U.S. Treasury	\$95,211,975
Agency Securities	\$352,584,888
FFELP Student Loans	\$189,050,084
Auto Loans	\$520,278,143
Credit Cards	\$264,262,746
Equipment	\$186,932,460
Commercial Paper	\$44,958,600
Corporate Bonds	\$20,263,048



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.

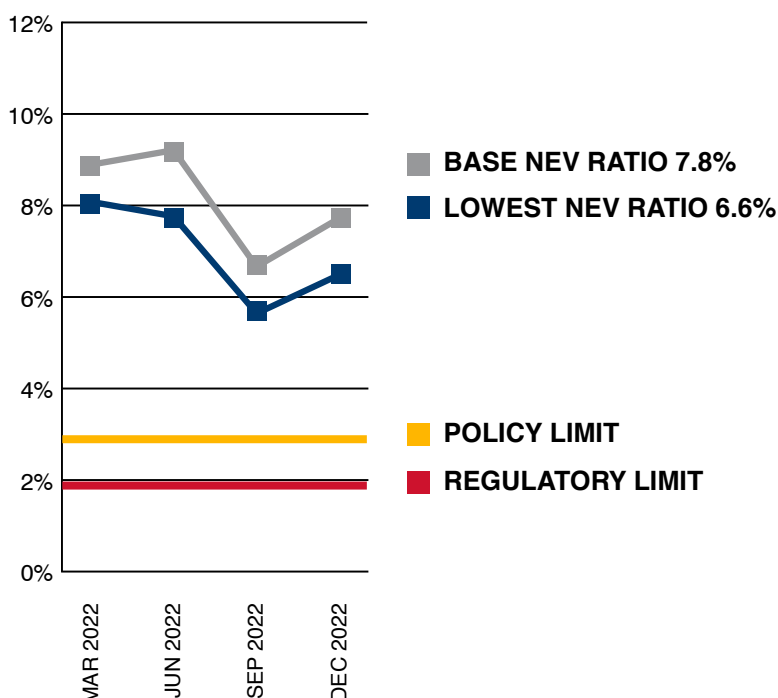
The objective of the NEV test is to measure whether Catalyst Corporate has sufficient capital to absorb potential changes to the fair value of its balance sheet given large, sustained instantaneous interest rate shocks.

A summary of Catalyst Corporate's NEV test at December 31, 2022 is as follows (in thousands):

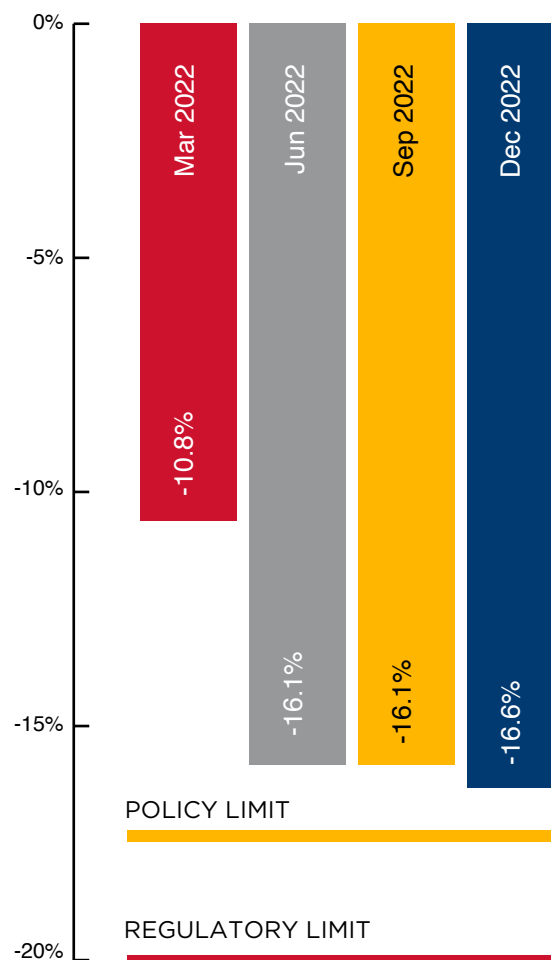
	NEV	\$ Change in NEV	% Change in NEV
Fair Value Base	\$309,200	N/A	N/A
Fair Value +300 BP	\$257,900	(\$51,300)	-16.6%
Fair Value -300 BP*	\$368,600	\$59,400	19.2%

**Interest rates are adjusted down 300 basis points due to the low rate environment at December 31, 2022.*

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, 2022, Catalyst Corporate has \$1,504,720,925 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$588,450,604 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, of which \$150,000,000 is outstanding as of December 31, 2022. Catalyst Corporate also has access to a \$100,000,000 repurchase agreement LOC with J.P. Morgan Securities LLC, of which \$49,844,000 is outstanding as of December 31, 2022, and a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of December 31, 2022. The advised LOC with FHLB of Dallas and the repurchase agreement LOC with J.P. Morgan Securities LLC are secured with qualified investment securities.

In 2023, Catalyst Corporate gained access to the Federal Reserve Discount window. As of February 28, 2023, Catalyst Corporate has borrowing capability of \$595 million at the Discount Window, based on available collateral. Additionally, the JPMorgan repurchase agreement LOC increased to \$200,000,000 in 2023. There were no borrowings outstanding at February 28, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$685,649,497 and additional uncommitted lines of credit to members of \$9,958,622,597 as of December 31, 2022. All outstanding lines of credit are collateralized by specific or general pledges of the members' assets.

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.

	Members' Shares Balances	Excess Balance Account
Mar 2022	\$3.6 billion	\$9.8 billion
Jun 2022	\$2.9 billion	\$6.0 billion
Sep 2022	\$3.9 billion	\$4.4 billion
Dec 2022	\$3.0 billion	\$3.4 billion

Current Portfolio* December 31, 2022

Assets		
ASSETS	PERCENT OF BALANCE SHEET	WAL (YEARS)
Loans	17.1%	1.3
ABS - Autos	9.5%	0.6
ABS - Credit Cards	9.4%	1.5
FFELP Student Loans	4.1%	4.3
ABS - Equipment	3.6%	0.6
Agency RMBS/CMBS	11.8%	1.9
SBA Pools	0.1%	2.1
Corporate Bonds	0.7%	1.0
U.S. Treasury	3.4%	0.5
FDIC/NCUA Guaranteed Certificates	0.4%	1.1
FHLB Capital Stock	0.5%	0.0
Subordinated Debt	0.0%	7.0
Other (Non-Earning)	1.8%	4.3
Overnight	37.6%	0.0
Total	100.0%	0.95

Liabilities & Capital		
SHARES & EQUITY	PERCENT OF BALANCE SHEET	WAL (YEARS)
Overnight Shares	75.7%	0.0
Borrowed Funds	5.0%	0.0
Certificates	9.9%	0.7
Member Capital	4.6%	0.0
RUDE	4.8%	0.0
Total	100.0%	0.08
Asset Average Life Mismatch (years)		0.88

WAL = Weighted Average Life

*Based on a \$4.00 billion balance sheet



Portfolio

ALM Limits

DECEMBER 31, 2022	REGULATION	CURRENT
No prohibited securities	None	None
NEV Volatility (Base Plus)	20%	16.6%
NEV Ratio (Base Plus)	2%	6.6%
Weighted Average Life of Financial Assets (yrs)	2.00	0.98
Stressed Weighted Average Life of Financial Assets (yrs)	2.25	1.01

Single Obligor Limits to Capital*

DECEMBER 31, 2022	REGULATION	CURRENT
Auto Loan Asset Backed Securities	25%	7.3%
Credit Card Asset Backed Securities	50%	13.4%
FFELP Student Loan Securities	25%	4.8%
Equipment Asset Backed Securities	25%	5.7%
Corporate Bonds	25%	4.2%

* Obligor limits are set as a percentage of the corporate's total capital. As of December 31, 2022, total capital is \$370,302,416. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs and subordinated debt, plus allowance for loan and lease losses.

Diversification Limits to Asset Size

DECEMBER 31, 2022	REGULATION	CURRENT
Loans	N/A	17.1%
Auto Loan Asset Backed Securities	25%	9.5%
Credit Card Asset Backed Securities	25%	9.4%
FFELP Student Loan Securities	50%	4.1%
Equipment Asset Backed Securities	25%	3.6%
Corporate Bonds	50%	0.7%
Agency Residential/ Commercial Mortgage Backed Securities	50%	11.8%
SBA Pools	25%	0.1%
U.S. Treasury	N/A	3.4%
FDIC/NCUA Guaranteed Certificates	N/A	0.4%
FHLB Capital Stock	N/A	0.5%
Subordinated Debt	N/A	0.0%
Other (Non-Earning)	N/A	1.8%
Overnight Investments	N/A	37.6%

Sector Limits to Capital*

DECEMBER 31, 2022	REGULATION	CURRENT
Auto Loan Asset Backed Securities	500%	102.7%
Credit Card Asset Backed Securities	500%	101.2%
FFELP Student Loan Securities	1,000%	44.0%
Equipment Asset Backed Securities	500%	39.4%
Corporate Bonds	1,000%	8.0%
Agency Residential/ Commercial Mortgage Backed Securities	1,000%	127.3%
SBA Pools	500%	0.3%
U.S. Treasury	N/A	37.1%

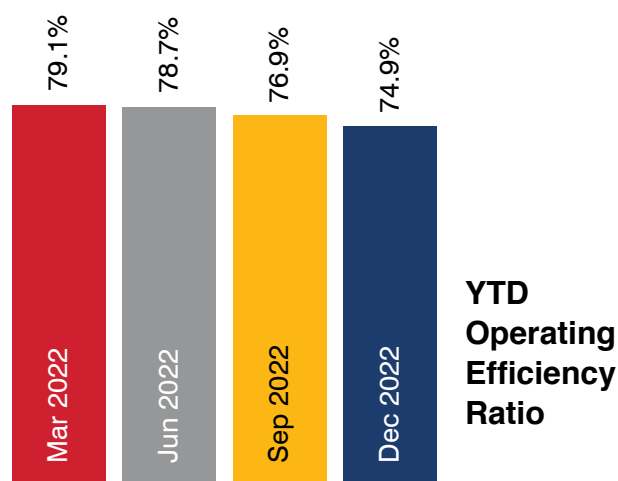
* Sector limits are set as a percentage of the corporate's total capital. As of December 31, 2022, total capital is \$370,302,416. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs and subordinated debt, plus allowance for loan and lease losses.



Key Performance Ratio Graphics

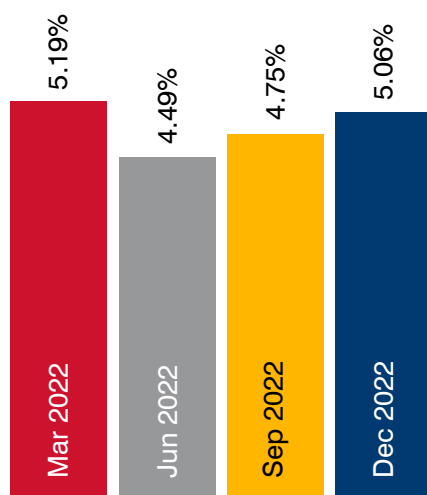
Operating Efficiency Ratio

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.

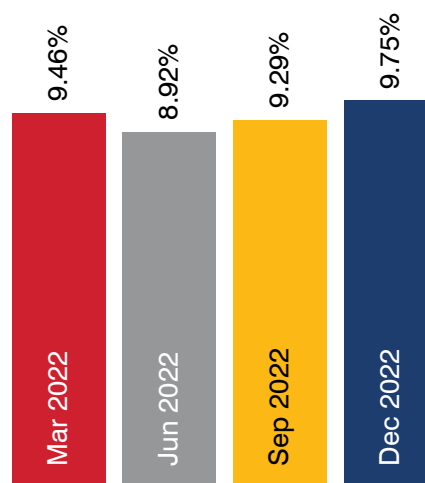


Regulatory Capital Ratios

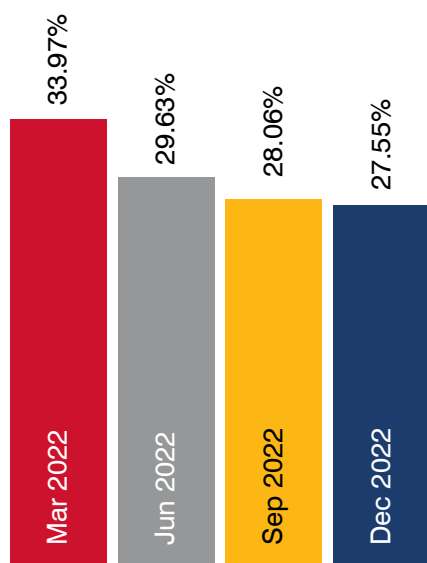
Retained Earnings Ratio



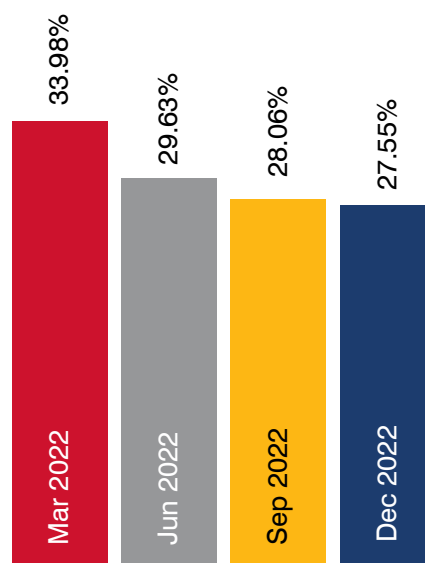
Leverage Ratio



Tier One Risk-Based Capital Ratio



Total Risk-Based Capital Ratio





CUSOs and Partners

Aptys Solutions, LLC

Aptys Solutions, LLC, owned by Catalyst Corporate and eight other corporate credit unions and bankers' banks, is a leading provider of correspondent electronic payment processing software for community financial institutions. Partnering with correspondent service providers, Aptys' payments platform processes over a billion ACH, check, wire, debit and instant payment transactions annually for over 4,500 credit unions and community banks nationwide.

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 as of December 31, 2022.

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, 2022, Catalyst Corporate owns approximately 37 percent of this CUSO and has 179 member credit unions using its 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 11.11 percent ownership stake. Catalyst Corporate employs registered investment representatives to provide investment management services to credit unions through CU Investment Solutions, LLC. Catalyst Corporate's sales volume as of December 31, 2022 was \$5.6 billion.

CURQL Fund 1, LLLP

CURQL is an on-ramp for fintech entrepreneurs to bring innovation to credit unions and their members. CURQL offers a collaborative network for credit unions to identify, assess, partner with, and invest in fintech companies. Fintechs receive expertise, coaching, guidance, and support on their technology development journeys. Catalyst Corporate has an investment of \$857,000 in the CUSO as of December 31, 2022.

CUSource, LLC/Catalyst Strategic Solutions

CUSOURCE, LLC, doing business 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 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, 2022, 97 credit unions use the advisory service and 719 credit unions and corporates use ALM and consulting services. As of December 31, 2022, Catalyst Strategic Solutions had over \$6.0 billion in credit union investments under advisement.



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 353 credit unions using the program that is offered in partnership with JPMorgan Chase, with approximately \$28.7 billion in safekeeping for credit unions and \$1.1 billion in corporate holdings as of December 31, 2022.

Members Development Company, LLC

Members Development Company, LLC provides research and development services to 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. Catalyst Corporate has an investment of \$30,000 in the CUSO as of December 31, 2022.

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 \$1.3 million in Primary Financial, equating to an 8.0 percent interest in the company. As of December 31, 2022, Catalyst Corporate had SimpliCD agreements with 751 credit unions, including 375 credit unions actively using the service over the last 12 months, and \$646.5 million in sales year-to-date.

PSCU

PSCU is a payments CUSO that leverages digital technology to support the success of more than 2,400 financial institutions, processing 7.7 billion transactions annually. PSCU's comprehensive, highly integrated payments solutions include credit, debit, ATM and prepaid card programs, digital banking, risk management, data analytics, marketing and strategic consulting, tailored for credit unions.

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. As of December 31, 2022, Catalyst Corporate owns 69 percent of the CUSO, Alloya Corporate Federal Credit Union owns 25 percent of the CUSO, VIZO Financial Corporate Credit Union owns five percent of the CUSO and Corporate One Federal Credit Union owns one percent of the CUSO. As of December 31, 2022, 1,323 credit unions were using TranzCapture services.



Operational Compliance

Business Continuity Summary

Catalyst Corporate's Business Continuity Program is based on practices established by the Federal Financial Institutions Examination Council (FFIEC). Oversight is performed by the Operations Risk Management Committee, consisting primarily of management and senior management. The Business Continuity Management (BCM) Program and related activities are reviewed annually by the Technology Steering Committee and Board.

Catalyst Corporate has established a BCM governance structure to oversee and implement resilience, continuity, and response capabilities for safeguarding employees, members/clients, products, and services.

Catalyst Corporate's BCM governance includes:

- Aligning BCM plans and policies with the risk appetite
- Identifying the continuity requirements to match the operation's criticality
- Establishing robust business continuity policy and plans
- Allocating adequate resources to BCM activities
- Providing management oversight to implement and manage the program
- Monitoring and assessing business continuity performance relative to these goals

Catalyst Corporate attempts to minimize the impact of threats by the implementation of preventative controls. Should 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 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 re-location of the entire operation to the collocation site.

The following business continuity strategies provide the framework for ensuring Catalyst Corporate can sustain critical business processes at a level acceptable to the business and member/client credit unions.

Business Continuity Plans

Business continuity plans are developed for each business process to document the procedures to be followed 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 the timely resolution to anticipated service disruptions.

Business units have developed and refined 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 in steps to be taken should certain threats occur
- Immediate action items documents in detail items that require immediate action in a 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
- Scenario outage plans address the loss of specific services
- Temporary evacuation plans address the evacuation of the building for a few hours
- The pandemic preparedness plan details steps to be taken in a pandemic event

Backup

Systems and data are backed up as often as required, and the backups are sent off-site for long-term storage. Windows server backups and our common file storage systems data are archived into a secure online cloud solution for retention. Data backups are tested periodically to verify the backup system is working properly. Because recovery of data from magnetic media backup would take longer than what is acceptable during a disaster, a hot site is managed so that data can be mirrored or replicated to identical equipment for rapid recovery. Windows server backups and our common file storage systems are also backed up to disk, then replicated to additional disk storage at our hot site.



Operational Compliance

Business Continuity Summary (continued)

Hot-site

The hot site provides a highly secured environment with connectivity to numerous telecommunication carriers and utility power backed up by a UPS. Redundant firewalls, routers, switches, IBM iSeries, servers and data storage devices are in place and are exercised on a regular basis to protect against prolonged service disruptions. High-speed telecommunication lines are installed to connect the hot site to Catalyst Corporate's Plano, Texas office for rapid transmission of high volumes of data and images. Throughout the day, data is mirrored and replicated between the office and the hot site for storage on redundant disk. With implementation of active/active SAN for our virtual infrastructure, the virtual environment is configured so that in the event of a total site disaster, all our virtual machines would automatically reboot at our hot site. This same functionality allows our virtuals to be moved between the two locations throughout the day, without any interruption of services.

Cloud Services

In addition to on-premise data center services, Catalyst Corporate leverages cloud services for a variety of software, platform, and infrastructure-as-a-service requirements. Each of these implementations considers each department function's continuity Recovery Time Objectives and Recovery Point Objectives to establish an implementation that meets the requirement. For solutions Catalyst Corporate is unable to control the configuration, necessary contractual obligations from the service provider are documented.

Work Area Continuity Site

Although all Catalyst Corporate employees have the ability to work remotely, Catalyst Corporate leases 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 should a disruption occur. Business units

maintain off-site storage of supplies and documentation needed to continue operations.

Automatic Call Distribution (ACD)

Catalyst Corporate implemented an ACD solution that provides a telephonic connection between the California office and the Plano office and other remote staff for member services and remote deposit services. In essence, this created one member services call center and one remote deposit services call center by combining the call centers from both offices and remote staff. The ACD solution provides more flexibility for telephone communication with member credit unions.

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 annually.

Contingency Communications

Guidelines that provide information on how to establish communications with Catalyst Corporate as soon as possible following an event that causes a service disruption are available for member credit unions. Credit unions and Catalyst Corporate employees maintain familiarity with these contingency communications plans by conducting semi-annual exercises.

Third-party Risk Management

Catalyst Corporate has a comprehensive Third-party Risk Management program. All new vendors undergo due diligence commensurate with the work they will be providing for Catalyst and its members. Due diligence for high-risk vendors includes a detailed review of business continuity controls, as well as information security and financial performance. Due diligence is updated periodically according to a schedule determined by the level of risk to Catalyst.



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 2022 to ensure successful communication with member credit unions in the event of service disruptions.

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 1,294 credit unions, partners and CUSOs in these exercises (as of December 2022).

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. The last full failover disaster recovery exercise was performed

in the 2nd quarter of 2022. No significant issues were identified during any of the disaster recovery exercises performed in 2022.

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 2022.

Data Recovery Exercise

The data recovery exercise is conducted quarterly, if necessary, to validate that off-site backup data can be recalled and recovered as needed. Routine business activity often requires items to be restored outside the on-premise retention window. Day-to-day recovery needs in 2022 adequately demonstrated the ability to recover from storage.

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 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.

To access the PCI DSS on PCI Security Council's website, visit [PCISecurityStandards.org](https://www.pcisecuritystandards.org).

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 1, 2021-September 30, 2022.

The SOC1 and SOC2 reviews are available to credit unions who [contact Member Services](#) or 800.442.5763, option 1. The reports also may be downloaded from TranZact by authorized users.

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