READY. SET. CATALYST!

2017 DUE DILIGENCE REPORT

CATALYST
Corporate Federal Credit Union

Letter from the President

Dear Valued Member:

Catalyst Corporate Federal Credit Union is providing this **2017 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.

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. In the "Current Issue," this edition also reviews upcoming changes to Regulation CC.

The Due Diligence Report is posted annually in late February 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,

Kathy Garner
President/CEO
kgarner@catalystcorp.org

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WHAT'S CHANGING WITH REGULATION CC?

Recently, the Federal Reserve released changes to Regulation CC (Reg CC) intended to reflect an industry-wide transition to an electronic, image-based check collection and returns environment. These final modifications take effect July 1, 2018.

Highlights from the Reg CC changes include:

Reg CC to Cover Electronic Checks

Images of an original paper check are now included in Reg CC. They will be treated the same as original paper checks.

Electronic Check Warranties

New warranties were created that apply to the exchange of electronic checks. The transferring bank warrants that check images accurately represent information on the front and back of the original check. Additionally, the warranty affirms that there's no duplicate payment of the electronic check.

Indemnity for Duplicate Payment from Remote Deposit Capture (RDC)

This new indemnity protects a depository bank that received as unpaid a paper check deposit after the check was previously deposited by RDC at another depository bank. Under this indemnity, the depository bank accepting the original paper check is able to recover a loss from the depository bank receiving the item through RDC.

Expeditious Return Requirement

Updates made to the expeditious returns requirement, or "two day test," modify when checks must return to the depository bank. Currently, the requirement is 4 p.m. on the second business day after the item is presented. The new time is 2 p.m. This applies to both paper and electronic checks. There is also a protection from liability for the paying bank if the depository bank does not return the check by "commercially reasonable means."

Notification of Non-Payment

This applies to both paper and electronic checks. The notification time and threshold changed. Previously, the time for receipt was 4 p.m., and the threshold was $2,500. Under the new rule, the receipt deadline is earlier at 2 p.m., and the threshold is higher at $5,000.

New Indemnities for Electronically Created Items (ECIs)

ECIs are "check-like" items created in electronic form (never existed in paper form). ECIs are not electronic checks as currently defined by Reg CC, and therefore, not subject to other provisions of Reg CC. The new indemnity does cover losses from the ECIs, as they were never paper checks. Additionally, indemnification exists for an ECI that was unauthorized, as well as for a bank that pays a previously paid ECI.

Substitute Check for ATM Deposits

When a depository bank rejects a deposit submitted from an ATM and returns a substitute check back, the depository bank warrants and indemnifies the check under the new Reg CC.

The check collection process is no longer a paper-based system, but rather an **imaged check collection** process. The changes to Reg CC recognize this and provide clarity for an electronic, image-based check collection and returns environment. The Reg CC modifications assist in expediting and providing additional protections that previously didn't exist. These changes are an important step in bringing regulations up to date with current industry practices.

RESULTS OF OPERATIONS

Catalyst Corporate's net income for the year ended December 31, 2017 totaled $17,827,774, compared to budgeted net income of $17,279,818. Year-to-date (YTD) operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) of 83.9 percent, versus a budgeted 80.4 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 2017	APR-JUNE 2017	JUL-SEPT 2017	OCT-DEC 2017
Net interest income	**$5,528,622**	**$5,796,183**	**$5,641,940**	**$5,812,074**
Non-interest income	**7,260,059**	**8,044,822**	**8,155,938**	**8,031,605**
Operating expenses	**9,139,323**	**9,312,258**	**9,501,373**	**9,563,916**
Other net gain	**1,009,508**	**-**	**-**	**-**
Non controlling interest	**37,965**	**21,044**	**7,323**	**(2,439)**
Net income	**$4,696,831**	**$4,549,791**	**$4,303,828**	**$4,277,324**

Key information

Net operating expense	**$1,879,264**	**$1,267,436**	**$1,345,435**	**$1,532,311**
Operating efficiency ratio	**79.4%**	**86.4%**	**85.8%**	**84.0%**
Return on assets	**0.75%**	**0.73%**	**0.69%**	**0.69%**
Daily average net assets – 12-month rolling	**$2,555,221,644**	**$2,512,602,106**	**$2,469,798,600**	**$2,453,331,124**
Perpetual contributed capital	**$169,674,936**	**$169,674,936**	**$171,493,815**	**$173,536,556**
Retained earnings	**$63,295,121**	**$67,288,511**	**$70,928,237**	**$74,460,325**
Retained earnings ratio	**2.48%**	**2.68%**	**2.87%**	**3.04%**
Leverage ratio	**6.95%**	**7.34%**	**7.73%**	**9.89%**
Total capital ratio	**8.96%**	**9.26%**	**9.64%**	**9.89%**
Tier one risk-based capital ratio	**19.24%**	**20.19%**	**21.08%**	**28.45%**
Total risk-based capital ratio	**25.37%**	**26.02%**	**26.86%**	**28.45%**

As part of a multi-year phase-in of Part 704 capital provisions for corporate credit unions, NCUA rules require corporate credit unions to reduce the amount of perpetual contributed capital (PCC) included in the leverage ratio calculation. In 2017, NCUA amended its regulations governing corporate credit unions, specifically regarding the provisions on retained earnings and Tier one capital. As a result of these amendments which took effect December 22, 2017, the leverage ratio increased, as PCC is no longer required to be discounted once the retained earnings ratio is 2.50 percent or higher. As of December 31, 2017, Catalyst Corporate maintains a 3.04 percent retained earnings ratio and a 9.89 percent leverage ratio.

Financial Report

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	DECEMBER 31,	
	2017	2016
Assets		
Cash and cash equivalents	**$1,214,716,116**	**$1,253,965,417**
Investments:		
Available-for-sale	**1,109,319,360**	**1,163,514,619**
Federal Home Loan Bank capital stock	**11,896,000**	**1,424,900**
Investments in credit union service organizations (CUSOs)	**5,422,952**	**5,152,328**
Loans to members	**199,843,695**	**173,531,279**
Accounts receivables and other assets	**27,800,353**	**27,214,812**
Property and equipment, net	**13,006,334**	**14,139,211**
Goodwill	**2,767,548**	**2,767,548**
National Credit Union Share Insurance Fund (NCUSIF)	**2,596,798**	**2,621,143**
Total assets	**$2,587,369,156**	**$2,644,331,257**
Liabilities		
Members' shares and certificates	**$2,265,881,800**	**$2,407,781,297**
Borrowed funds	**64,000,000**	**—**
Accrued expenses and other liabilities	**10,248,499**	**9,017,051**
Total liabilities	**2,340,130,299**	**2,416,798,348**
Members' equity		
Perpetual contributed capital (PCC)	**173,536,556**	**168,843,132**
Retained earnings	**74,460,325**	**59,069,075**
Non controlling interest	**633,782**	**697,675**
Accumulated other comprehensive loss	**(1,391,806)**	**(1,076,973)**
Total members' equity	**247,238,857**	**227,532,909**
Total liabilities and members' equity	**$2,587,369,156**	**$2,644,331,257**

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

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	FOR THE YEARS ENDED DECEMBER 31,	
	2017	2016
Interest income		
Available-for-sale investments	$15,748,568	$11,638,577
Federal Reserve Bank	11,405,042	6,304,089
Loans to members	3,136,447	3,765,951
Other	608,628	196,218
Total interest income	30,898,685	21,904,835
Interest expense		
Interest on members' shares and certificates	7,769,632	2,364,679
Interest on borrowed funds	350,234	187,308
Total interest expense	8,119,866	2,551,987
Net interest income	22,778,819	19,352,848
Non-interest income		
Share draft and depository processing fees	17,634,137	16,755,120
Off-balance-sheet income	10,446,790	10,511,481
Other fee income	9,505,021	8,730,721
Outside processing and service costs	(6,093,524)	(5,328,650)
Total non-interest income	31,492,424	30,668,672
Operating expenses		
Compensation and benefits	26,484,037	25,030,249
Information technology	5,608,711	5,067,335
Professional fees	1,112,659	1,278,175
Office occupancy	1,049,022	1,219,352
Other operating expense	3,262,441	3,216,640
Total operating expenses	37,516,870	35,811,751
Other net gain		
Net gain on sale of available-for-sale investments	—	7,353
Net gain on disposition of assets	—	1,255,003
Net gain on sale of land	1,009,508	—
Total other net gain	1,009,508	1,262,356
Non controlling interest	63,893	47,322
Net income	$17,827,774	$15,519,447

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	FOR THE YEARS ENDED DECEMBER 31,	
	2017	2016
Net income	**$17,827,774**	**$15,519,447**
Other comprehensive (loss)/income		
Net unrealized holding (losses)/gains classified as available-for-sale	**(314,833)**	**1,858,483**
Reclassification adjustment for net gains included in net income	**—**	**(7,353)**
Total other comprehensive (loss)/income	**(314,833)**	**1,851,130**
Comprehensive income	**$17,512,941**	**$17,370,577**

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

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2015	**$166,406,303**	**$45,070,627**	**$ —**	**($2,928,103)**	**$208,548,827**
Net income (loss)		**15,519,447**	**(47,322)**		**15,472,125**
Net capital contribution at purchase			**744,997**		**744,997**
PCC issued	**2,470,353**				**2,470,353**
PCC released due to credit union liquidation	**(33,524)**				**(33,524)**
Dividends paid on PCC		**(1,520,999)**			**(1,520,999)**
Other comprehensive income				**1,851,130**	**1,851,130**
Balance at December 31, 2016	**$168,843,132**	**$59,069,075**	**$697,675**	**($1,076,973)**	**$227,532,909**
Net income/(loss)		**17,827,774**	**(63,893)**		**17,763,881**
PCC issued	**4,693,424**				**4,693,424**
Dividends paid on PCC		**(2,436,524)**			**(2,436,524)**
Other comprehensive loss				**(314,833)**	**(314,833)**
Balance at December 31, 2017	**$173,536,556**	**$74,460,325**	**$633,782**	**($1,391,806)**	**$247,238,857**

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

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 $108,058,000 as of December 31, 2017. Member credit unions' reserve balances are included in the members' shares and certificates in the consolidated statement of financial condition. 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 statement of financial condition.

2. Investments Available-for-Sale

The amortized cost and estimated fair value of investments available-for-sale as of December 31, 2017 are as follows:

	Amortized Cost	Estimated Fair Value	Unrealized Gain (Loss)
Asset-backed securities	**$775,285,962**	**$775,734,919**	**$448,957**
Agency commercial mortgage-backed securities	**197,820,353**	**197,161,361**	**(658,992)**
Agency mortgage-backed securities	**132,804,238**	**131,635,251**	**(1,168,987)**
U.S. Treasury and federal agency securities	**4,800,613**	**4,787,829**	**(12,784)**
Total	**$1,110,711,166**	**$1,109,319,360**	**($1,391,806)**

3. Investments in CUSOs

Investments in CUSOs are comprised of the following as of December 31, 2017:

Investment in CO-OP	**$2,849,081**
Investment in Primary Financial, LLC	**1,564,473**
Investment in CU Business Group	**879,398**
Investment in CU Investment Solutions, LLC	**100,000**
Investment in Members Development Company, LLC	**30,000**
Total	**$5,422,952**

In addition to the investments in CUSOs noted in the table, Catalyst Corporate also owns 75% of TranzCapture, LLC and 100% of Catalyst Strategic Solutions. The non-controlling interest of $633,782 reflected in the consolidated statement of financial condition represents 25% ownership interest of TranzCapture, LLC by Alloya Corporate. All significant intercompany balances and transactions have been eliminated in the Catalyst Corporate consolidated financial statements.

4. Loans to Members

The composition of loans to members is as follows as of December 31, 2017:

Open-end credit lines	**$77,071,173**
Term loans	**122,772,522**
Total	**$199,843,695**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Members' Shares and Certificates

Members' shares are summarized as follows as of December 31, 2017:

Cash management	**$1,579,023,161**
Performance tiered	**516,695,469**
Reg D reserve	**108,058,000**
Other shares	**55,011,492**
Total	**$2,258,788,122**

Members' share certificate balance is $7,093,678 as of December 31, 2017. Catalyst Corporate members transferred $3,873,711,211 to the Excess Balance Accounts at the Federal Reserve Bank as of December 31, 2017.

6. Borrowed Funds

As of December 31, 2017, Catalyst Corporate has fixed rate borrowings from the Federal Home Loan Bank of Dallas of $64,000,000 maturing in February 2018. These borrowings are collateralized by marketable securities with a fair value of $66,531,695.

7. Regulatory Capital

As a federally-chartered corporate credit union, Catalyst Corporate is subject to various regulatory capital requirements administered by the NCUA. The table below presents Catalyst Corporate's actual and required capital ratios as of December 31, 2017:

Capital Ratio	Capital	Denominator	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	RE	DANA	**3.04%**	N/A	N/A
Total capital ratio	RE + PCC-CUSO investments	DANA	**9.89%**	N/A	N/A
Leverage ratio	RE + PCC-CUSO investments	DANA	**9.89%**	4.00%	5.00%
Tier one risk-based capital ratio	RE + PCC-CUSO investments	MANRA	**28.45%**	4.00%	6.00%
Total risk-based capital ratio	RE + PCC-CUSO investments	MANRA	**28.45%**	8.00%	10.00%

RE = Retained earnings
PCC = Perpetual contributed capital
CUSO investments = Investments in unconsolidated CUSOs
DANA = 12-month average daily net assets
MANRA = 12-month average net risk-weighted assets

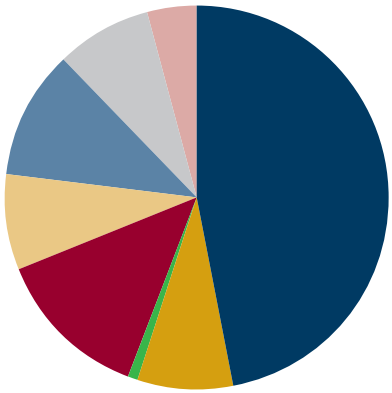
Annual Report

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, 2016, the CPA firm of Doeren Mayhew performed this function. Catalyst Corporate's 2016 Annual Report and 2016 Audited Financials are available on Catalyst Corporate's website under About Us / Due Diligence / Annual Meeting Materials.

Catalyst Corporate's 2018 Annual Meeting is scheduled for, and will be streamed live, May 1, 2018, 10 a.m. Central Time at Catalyst Corporate's headquarters in Plano, Texas. The 2017 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

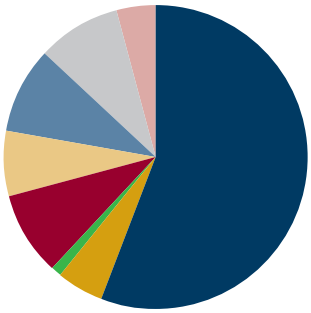


December 31, 2017

Overnight Cash	$1,214,716,116
Secured Loans	$199,843,695
US Treasury	$2,097,211
Agency Securities	$331,487,230
FFELP Student Loan	$205,223,936
Auto Loan	$274,846,819
Credit Card	$201,492,760
Equipment	$94,171,404

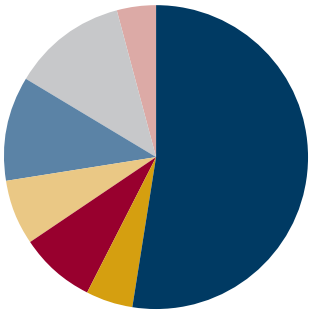
Risk Exposure December 31, 2017

RISK EXPOSURE	REGULATORY LIMITS	CURRENT
Interest rate risk (NEV volatility)	-20.0%	-7.6%
Weighted Average Life of Financial Assets	2.00 years	0.86 years
Weighted Average Life of Financial Assets - Stress Test	2.25 years	0.90 years
Single Obligor Limits (% of Capital)		
Credit Card ABS	50.0%	17.1%
Sector Limits (% of Capital)		
Agency RMBS/CMBS	1000.0%	135.5%
Credit Card ABS	500.0%	83.1%
Asset Diversification (% of Assets)		
Agency RMBS/CMBS	50.0%	12.7%
Credit Card ABS	25.0%	7.8%



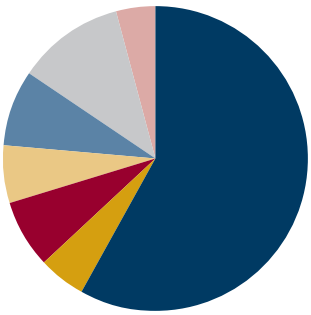
September 30, 2017

Overnight Cash	$1,572,672,167
Secured Loans	$127,866,619
US Treasury	$2,100,655
Agency Securities	$242,925,531
FFELP Student Loan	$198,441,810
Auto Loan	$264,141,461
Credit Card	$255,024,539
Equipment	$110,145,123



June 30, 2017

Overnight Cash	$1,455,310,874
Secured Loans	$129,158,710
Agency Securities	$226,342,193
FFELP Student Loan	$186,887,240
Auto Loan	$301,387,218
Credit Card	$328,856,912
Equipment	$108,455,747



March 31, 2017

Overnight Cash	$1,682,494,976
Secured Loans	$151,241,323
Agency Securities	$212,454,233
FFELP Student Loan	$186,916,724
Auto Loan	$235,121,750
Credit Card	$319,626,853
Equipment	$127,391,143

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.

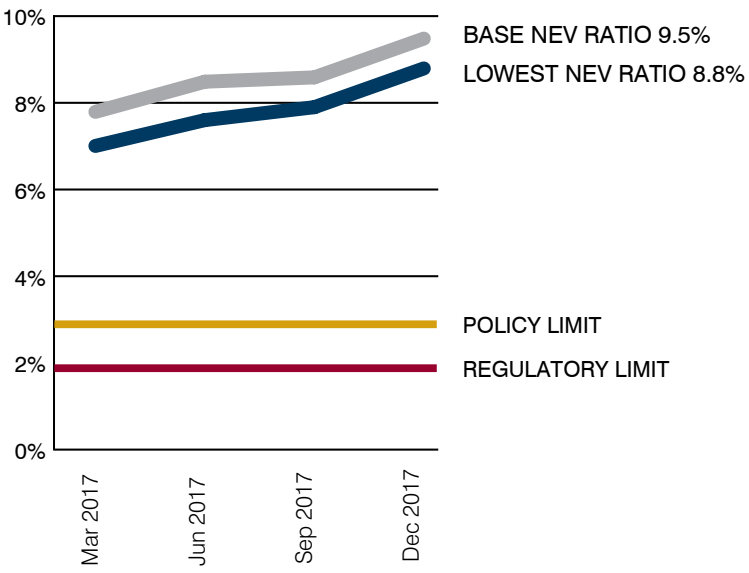
A summary of Catalyst Corporate's NEV test at December 31, 2017 is as follows (in thousands):

	NEV	$ Change in NEV	% Change in NEV
Fair Value Base	$244,400	N/A	N/A
Fair Value +300 BP	$225,800	($18,600)	-7.6%
Fair Value -100 BP*	$251,100	$6,700	2.7%

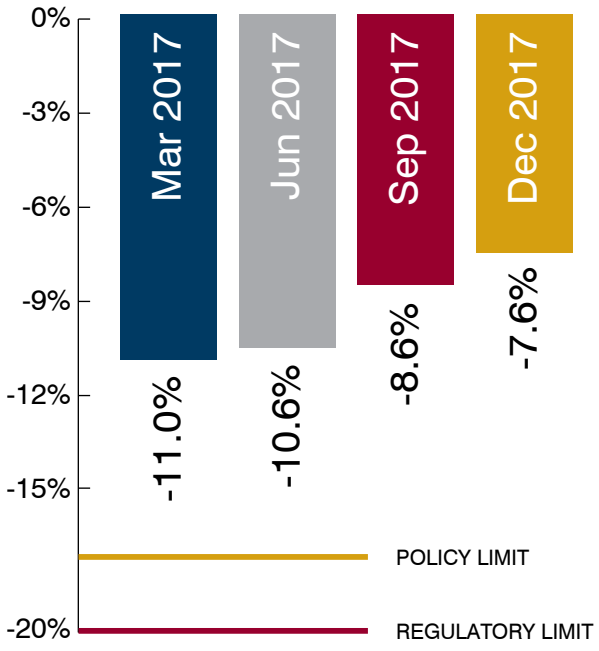
**Interest rates are adjusted down 100 basis points due to the low rate environment at December 31, 2017.*

NEV Ratio

(+/- 300 BP Shock Scenarios)



Maximum NEV 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.

At December 31, 2017, Catalyst Corporate had $1.21 billion in cash and cash equivalents. Catalyst Corporate had an outstanding advance of $64 million against its $255 million line of credit with the Federal Home Loan Bank of Dallas. Catalyst Corporate also had access to a $30 million unsecured Fed Funds line-of-credit and reverse repurchase agreement line-of-credit of $613 million with JPMorgan Chase.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate had outstanding loans to members of $199.8 million and total uncommitted lines of credit to members of $9.2 billion at December 31, 2017. 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 2017	$2.7 billion	$6.3 billion
Jun 2017	$2.5 billion	$4.8 billion
Sep 2017	$2.5 billion	$4.4 billion
Dec 2017	$2.3 billion	$3.9 billion

Current Portfolio*
December 31, 2017

Assets		
ASSETS	**PERCENT OF BALANCE SHEET**	**WAL (YEARS)**
Loans	7.7%	1.5
ABS - Autos	10.6%	0.7
ABS - Credit Cards	7.8%	0.8
FFELP Student Loans	7.9%	2.4
Agency RMBS/CMBS	12.7%	2.1
ABS - Equipment	3.6%	0.5
SBA Pools	0.1%	3.6
Other (Non-Earning)	2.5%	4.6
US Treasury	0.1%	0.3
Overnight	47%	0.0
Total	**100.0%**	**0.84**

Liabilities & Capital		
SHARES & EQUITY	**PERCENT OF BALANCE SHEET**	**WAL (YEARS)**
Overnight Shares	88.0%	0.0
Borrowed Funds	2.5%	0.0
Certificates	0.3%	0.3
Member Capital	6.6%	0.0
RUDE	2.6%	0.0
Total	**100.0%**	**0.00**
Asset Average Life Mismatch (years)		*0.84*

WAL = Weighted Average Life
*Based on a $2.587 billion balance sheet

WAL=Weighted Average Life

ALM LIMITS

DECEMBER 31, 2017	REGULATION	CURRENT
NRSRO Rating AA or better	AA-	AA+
No prohibited securities	None	None
NEV Volatility (Base Plus)	20%	7.6%
NEV Ratio (Base Plus)	2%	8.8%
Weighted Average Life of Financial Assets (yrs)	2.00	0.86
Stressed Weighted Average Life of Financial Assets (yrs)	2.25	0.90

SINGLE OBLIGOR LIMITS TO CAPITAL*

DECEMBER 31, 2017	REGULATION	CURRENT
Auto Loan Asset Backed Securities	25%	11.7%
Credit Card Asset Backed Securities	50%	17.1%
FFELP Student Loan Securities	25%	8.5%
Equipment Asset Backed Securities	25%	6.4%
Corporate Bonds	25%	0.0%

** Obligor limits are set as a percentage of the corporate's total capital. As of December 31, 2017, total capital is $242,573,929. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs.*

DIVERSIFICATION LIMITS TO ASSET SIZE

DECEMBER 31, 2017	REGULATION	CURRENT
Loans	N/A	7.7%
Auto Loan Asset Backed Securities	25%	10.6%
Credit Card Asset Backed Securities	25%	7.8%
FFELP Student Loan Securities	50%	7.9%
Equipment Asset Backed Securities	25%	3.6%
Corporate Bonds	50%	0.0%
Agency Residential/ Commercial Mortgage Backed Securities	50%	12.7%
SBA Pools	25%	0.1%
U.S. Treasury	N/A	0.1%
Other (Non-Earning)	N/A	2.5%
Overnight Investments	N/A	47.0%

SECTOR LIMITS TO CAPITAL*

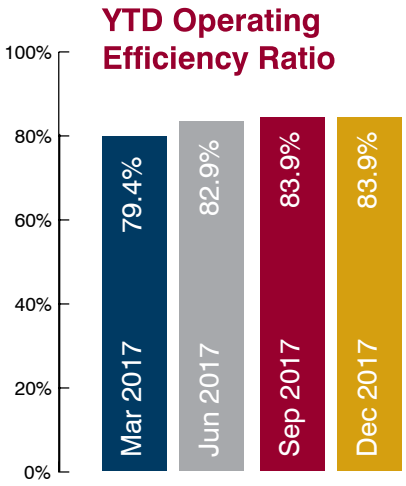
DECEMBER 31, 2017	REGULATION	CURRENT
Auto Loan Asset Backed Securities	500%	113.3%
Credit Card Asset Backed Securities	500%	83.1%
FFELP Student Loan Securities	1,000%	84.6%
Equipment Asset Backed Securities	500%	38.8%
Corporate Bonds	1,000%	0.0%
Agency Residential/ Commercial Mortgage Backed Securities	1,000%	135.6%
SBA Pools	500%	1.1%
US Treasury	N/A	0.9%

** Sector limits are set as a percentage of the corporate's total capital. As of December 31, 2017, total capital is $242,573,929. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs.*

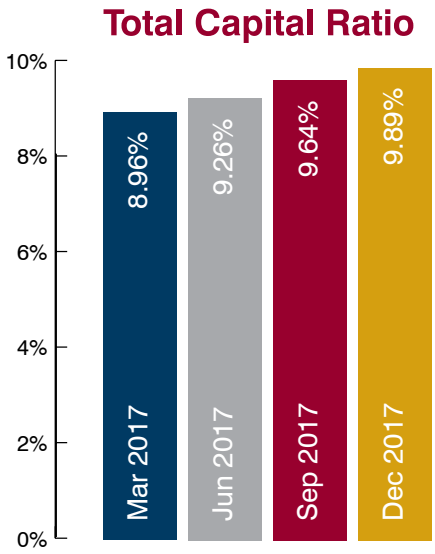
Key Performance Ratio Graphics

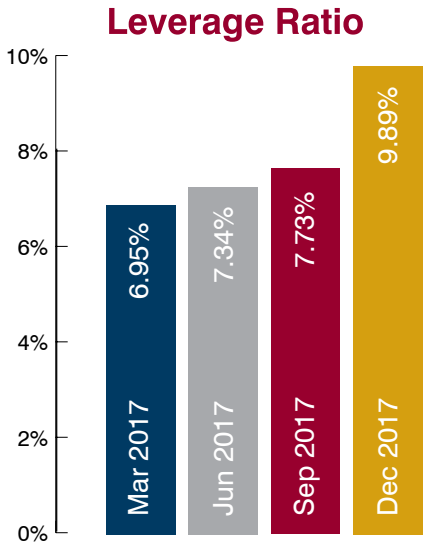
OPERATING EFFICIENCY RATIO

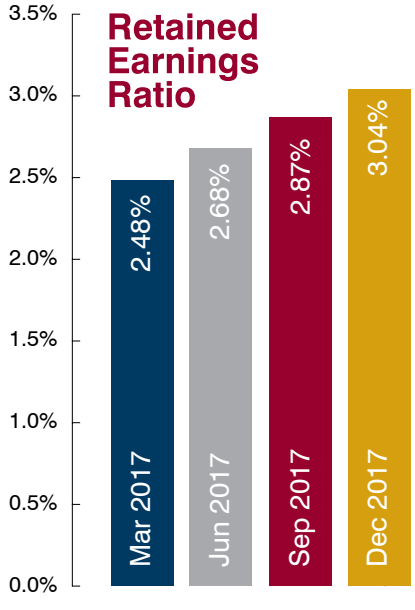
The operating efficiency ratio is calculated as net fee income divided by operating expenses. Catalyst Corporate's ability to cover expenses through fee income supports a business model that is less reliant on balance-sheet activity for income and therefore supports a risk-averse portfolio for the long-term.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

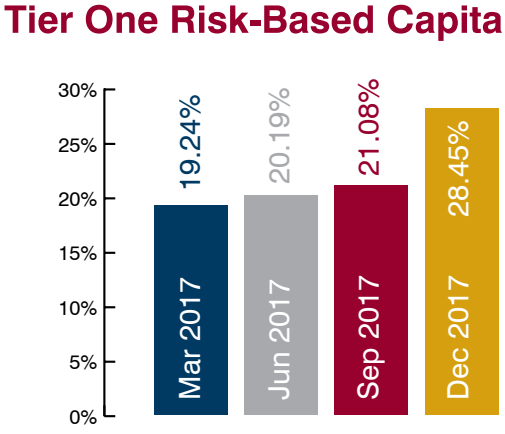


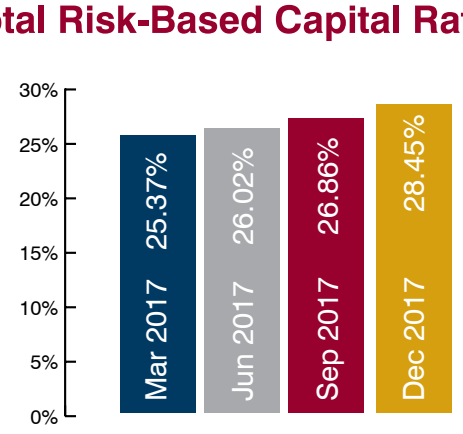
REGULATORY CAPITAL RATIOS











Please refer to the note on page 5 of the Due Diligence Report.

CU COOPERATIVE SYSTEMS, INC.

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.

CUSOURCE/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, 2017, 89 credit unions use the investment advisory service, and 278 credit unions and corporates use ALM and consulting services. As of December 31, 2017, Catalyst Strategic Solutions had $4.2 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.

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

CU Business Group is owned by six corporate credit unions. As of December 31, 2017, Catalyst Corporate owns approximately 37 percent of this CUSO and has 177 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 INVESTMENT SOLUTIONS, LLC

CU Investment Solutions, LLC provides broker/dealer services to corporates and natural person credit unions. Formerly a CUSO of U.S. Central Corporate (and its successor, U.S. Central Bridge Corporate), CU Investment Solutions was purchased by its corporate users in 2011. 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 288 active credit unions at present; 120 of these have done trades in the past 12 months. Catalyst Corporate's sales volume as of December 31, 2017 was $1.6 billion.

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

CUSOs and Partners

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, 2017 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 $1.6 million in Primary Financial, equating to an 8.0 percent interest in the company. As of December 31, 2017, Catalyst Corporate had SimpliCD agreements with 835 credit unions, including 317 credit unions actively using the service over the last 12 months, and $589.7 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, business, mobile, ATM/ITM/intelligent kiosk capture applications. Catalyst Corporate owns 75 percent of the CUSO, while Alloya Corporate Federal Credit Union owns 25 percent of the CUSO. As of December 31, 2017, 1,309 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.

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 262 members using the program that is offered in partnership with JPMorgan Chase, with approximately $14.9 billion in safekeeping for members and $776 million in corporate holdings as of December 31, 2017.

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

BUSINESS CONTINUITY SUMMARY

Catalyst Corporate's Business Continuity Program is based on best practices established by the Federal Financial Institutions Examination Council (FFIEC), the Disaster Recovery Institute International (DRII), and the Gartner Group. Oversight is performed by a board-approved committee consisting primarily of Catalyst Corporate management and senior management. 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. 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.

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

BUSINESS CONTINUITY SUMMARY (CONTINUED)

Hot-site

The hot-site provides a highly secured environment with connectivity to numerous telecommunication carriers and utility power that is backed up by an uninterruptible power supply (UPS) and generator. 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. 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 quarterly exercises. Click here to view Catalyst Corporate's Contingency Communications guidelines.

BUSINESS CONTINUITY ACTIVITY REPORT

Exercises Completed During 2017

Service Alert Messages (SAM) sent to participating credit unions

Regular SAM notifications ensure that credit union contact information for specific processes is maintained and ensure timely communications to member credit unions regarding the nature and duration of process specific disruptions.

- Messages sent first, second, third and fourth quarters of 2017

Contingency Communications Exercise

Contingency Communications Exercises are conducted 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 1,455 credit unions, partners and CUSOs in these exercises (as of December 2017).

- Completed second and fourth quarters of 2017

Remote Access Exercises

Remote Access Exercises are conducted on a regular basis and are used to assess employees' ability to work remotely.

- Conducted first, second and fourth quarters on 2017

Disaster Recovery Exercises

Disaster Recovery Exercises are conducted for all operational areas. 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.

- Completed first, third and fourth quarters of 2017

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.

- Conducted first, second, third and fourth quarters of 2017

Magnetic Media Recovery Exercise

The magnetic media recovery exercise is conducted quarterly 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.

- Completed first, second and fourth quarters of 2017

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.

- Completed first, second and fourth quarters of 2017

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.

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.

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.

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.

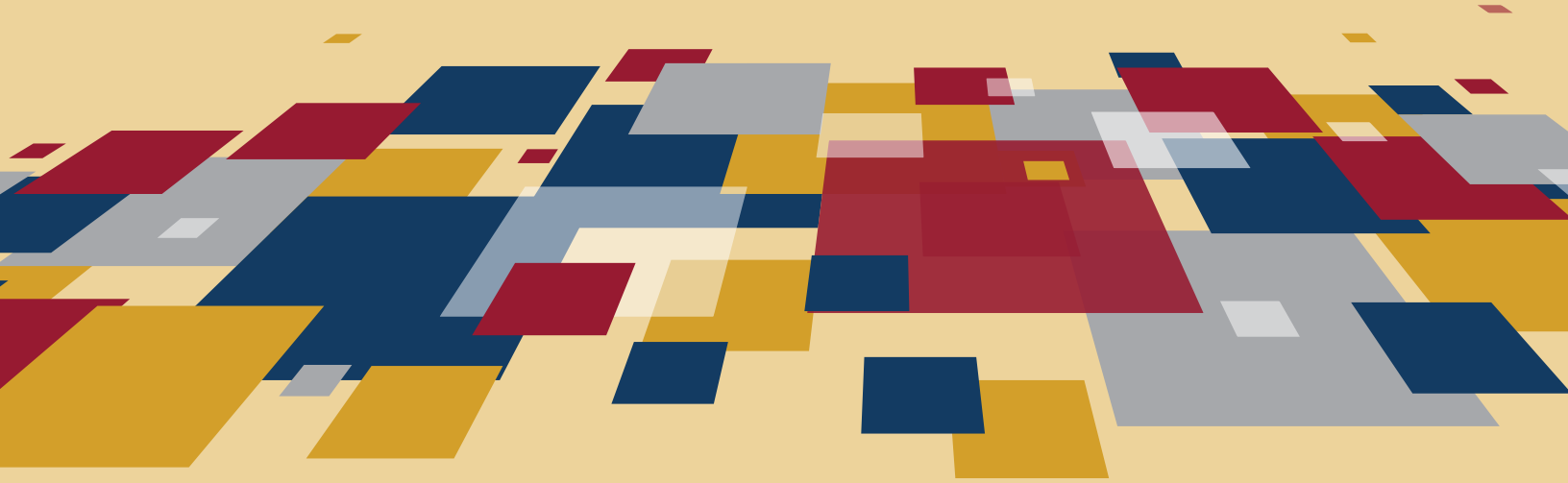
Catalyst Corporate will utilize security measures designed to accomplish the proper disposal of card data held by Catalyst Corporate. If immediate deletion or disposal of the card data held by Catalyst Corporate is not feasible, then until the date when deletion or disposal of the data occurs, Catalyst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

SSAE16 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 SSAE16 review for the period October 2015-September 2016. The SOC1 report covers controls placed in operation and tests of operating effectiveness.

The SSAE16/SOC1 review is available to credit unions who contact Member Services or 800.442.5763, option 1. The report also may be downloaded from TranZact by authorized users.

Catalyst Corporate has scheduled the next SSAE16/SOC1 review for October 2018 - September 2019.



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CATALYST
Corporate Federal Credit Union