

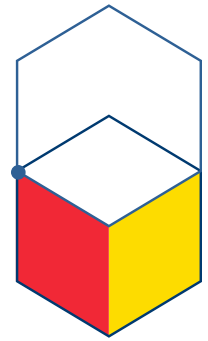


2020 Due Diligence Report

LETTER FROM THE PRESIDENT

Dear Valued Member:

Catalyst Corporate Federal Credit Union is providing this **2020 Due Diligence Report** to update credit unions on its performance and to support their due diligence efforts. The idea for the **Due Diligence Report** came from a member request to publish all due diligence information in a single document. The suggestion was adopted because it aligns so well with Catalyst Corporate's mission to be *a premier innovative corporate credit union that provides exceptional member value in an efficient, safe and sound manner*.



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

Catalyst Corporate...

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

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

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

Best regards,

Bruce Fox
President/CEO
bfox@catalystcorp.org

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FINANCIAL REPORT

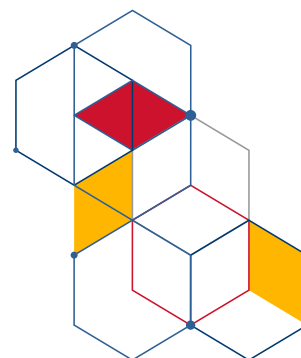
RESULTS OF OPERATIONS

Catalyst Corporate's net income for the year ended December 31, 2020 totaled \$23,377,331. Year-to-date (YTD) operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) of 83.2 percent. The decline in the leverage ratio and the retained earnings ratio is due to an increase in credit union liquidity, which has resulted in a rise in member deposits. A summary of the unaudited results of Catalyst Corporate's operations for the past four quarters is included in the following table.

	JAN-MAR 2020	APR-JUN 2020	JUL-SEP 2020	OCT-DEC 2020
Net interest income	\$9,495,606	\$8,917,609	\$6,932,154	\$5,767,699
Provision for loan losses	35,000	-	-	-
Net interest income after provision for loan losses	9,460,606	8,917,609	6,932,154	5,767,699
Net fee income	8,847,230	9,844,466	9,813,353	10,148,065
Operating expenses	11,140,891	11,244,968	11,739,653	12,335,225
Other net gains	13,915	(39,578)	78,774	-
Non controlling interest	(38,130)	14,191	34,469	43,245
Net income	\$7,142,730	\$7,491,720	\$5,119,097	\$3,623,784

Key information

Net operating expense	\$2,293,661	\$1,400,502	\$1,926,300	\$2,187,160
Operating efficiency ratio (Qtr)	79.4%	87.5%	83.6%	82.3%
Return on assets (Qtr)	1.15%	1.09%	0.67%	0.43%
Daily average net assets – 12-month rolling	\$2,500,799,318	\$2,745,956,842	\$3,041,984,119	\$3,330,680,406
Perpetual contributed capital	\$177,843,707	\$177,932,398	\$178,198,920	\$178,199,420
Retained earnings	\$115,678,625	\$122,336,797	\$127,070,114	\$130,397,764
Retained earnings ratio	4.63%	4.46%	4.18%	3.92%
Leverage ratio	11.48%	10.70%	9.82%	9.07%
Tier one risk-based capital ratio	34.14%	32.02%	30.43%	28.33%
Total risk-based capital ratio	34.15%	32.03%	30.44%	28.33%



FINANCIAL REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	DECEMBER 31,	
	2020	2019
Assets		
Cash and cash equivalents	\$1,959,032,156	\$871,914,629
Securities purchased under agreements to resell	300,000,000	250,000,000
Investments:		
Certificates of deposit	7,124,000	7,124,000
Available-for-sale	1,556,053,337	1,150,630,913
Federal Home Loan Bank capital stock	1,011,800	949,500
Investments in credit union service organizations (CUSOs)	6,580,277	6,438,901
Loans, net of allowance of \$61,848 and \$30,000 as of December 31, 2020 and 2019, respectively	185,988,022	180,089,018
CLF stock subscription	96,119,692	-
Accounts receivables and other assets	36,866,522	32,588,200
Property and equipment, net	14,522,302	13,551,248
Goodwill	4,236,720	2,767,548
National Credit Union Share Insurance Fund (NCUSIF)	2,479,048	2,479,573
Total assets	\$4,170,013,876	\$2,518,533,530
Liabilities		
Members' shares and certificates	\$3,823,083,054	\$2,210,445,854
Accrued expenses and other liabilities	20,572,373	16,853,176
Total liabilities	3,843,655,427	2,227,299,030
Members' equity		
Perpetual contributed capital (PCC)	178,199,420	177,836,244
Retained earnings	130,397,764	109,561,845
Non controlling interest	4,997,499	745,474
Accumulated other comprehensive income	12,763,766	3,090,937
Total members' equity	326,358,449	291,234,500
Total liabilities and members' equity	\$4,170,013,876	\$2,518,533,530

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,

	2020	2019
Interest income		
Investments available-for-sale	\$25,878,487	\$31,111,374
Federal Reserve Bank	3,814,010	20,147,086
Loans	2,816,630	4,556,287
Other	1,915,211	2,253,631
Total interest income	34,424,338	58,068,378
Interest expense		
Interest on members' shares and certificates	3,311,270	22,016,553
Interest on borrowed funds	-	2,497,017
Total interest expense	3,311,270	24,513,570
Net interest income	31,113,068	33,554,808
Provision for loan losses	35,000	30,000
Net interest income after provision for loan losses	31,078,068	33,524,808
Net fee income		
Share draft and depository processing fees	19,193,053	20,294,275
Other fee income	13,989,264	11,267,265
Off-balance-sheet income	12,758,079	10,261,320
Outside processing and service costs	(7,287,282)	(6,959,467)
Total net fee income	38,653,114	34,863,393
Operating expenses		
Compensation and employee benefits	33,769,954	30,890,288
Information technology	7,735,252	6,721,388
Professional fees	1,508,072	1,177,725
Office occupancy	1,155,562	1,154,439
Other operating expense	2,291,897	3,160,276
Total operating expenses	46,460,737	43,104,116
Other net gains	53,111	85,669
Non controlling interest	53,775	(92,872)
Net income	\$23,377,331	\$25,276,882

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,

	2020	2019
Net income	\$23,377,331	\$25,276,882
Other comprehensive income		
Net unrealized holding gains on investments classified as available-for-sale	9,712,025	4,200,123
Reclassification adjustment for net gains included in net income	(39,196)	(80,835)
Total other comprehensive income	9,672,829	4,119,288
Comprehensive income	\$33,050,160	\$29,396,170

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

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2020

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2018	\$175,268,487	\$89,319,179	\$652,602	(\$1,028,351)	\$264,211,917
Net income	-	25,276,882	92,872	-	25,369,754
PCC issued	2,569,514	-	-	-	2,569,514
PCC released due to credit union liquidation	(1,757)	-	-	-	(1,757)
Dividends paid on PCC	-	(5,034,216)	-	-	(5,034,216)
Other comprehensive income	-	-	-	4,119,288	4,119,288
Balance at December 31, 2019	\$177,836,244	\$109,561,845	\$745,474	\$3,090,937	\$291,234,500
Net income/(loss)	-	23,377,331	(53,775)	-	23,323,556
Net capital contribution at purchase	-	-	4,305,800	-	4,305,800
PCC issued	363,176	-	-	-	363,176
Dividends paid on PCC	-	(2,541,412)	-	-	(2,541,412)
Other comprehensive income	-	-	-	9,672,829	9,672,829
Balance at December 31, 2020	\$178,199,420	\$130,397,764	\$4,997,499	\$12,763,766	\$326,358,449

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. Securities Purchased Under Agreements to Resell

Catalyst Corporate enters into purchases of securities under agreements to resell substantially identical securities. Securities purchased under agreements to resell consist of agency mortgage-backed securities. The amounts advanced under these agreements are reflected as assets. It is Catalyst Corporate's policy to take possession of securities purchased under agreements to resell. Agreements with third parties specify Catalyst Corporate's rights to request additional collateral, based on its monitoring of the fair value of the underlying securities on a daily basis. As of December 31, 2020, Catalyst Corporate has three trades outstanding. The trades are for \$50,000,000, \$150,000,000, and \$100,000,000 and are scheduled to mature in January 2021, February 2021, and March 2021, respectively.

3. Investments Available-for-Sale

The amortized cost and estimated fair value of investments available-for-sale as of December 31, 2020 are as follows:

	Amortized Cost	Estimated Fair Value	Unrealized Gain/(Loss)
Asset-backed securities	\$1,112,161,012	\$1,116,136,440	\$3,975,428
Agency commercial mortgage-backed securities	343,204,344	350,803,749	7,599,405
Agency mortgage-backed securities	47,358,323	48,542,284	1,183,961
Commercial paper	36,966,757	36,972,250	5,493
U.S. Treasury and federal agency securities	3,599,135	3,598,614	(521)
Total	\$1,543,289,571	\$1,556,053,337	\$12,763,766

4. Investments in CUSOs

Investments in CUSOs are comprised of the following as of December 31, 2020:

Investment in CO-OP	\$3,081,423
Investment in Primary Financial, LLC	1,713,106
Investment in CU Business Group	1,155,748
Investment in Constellation Digital Partners, LLC	500,000
Investment in CU Investment Solutions, LLC	100,000
Investment in Members Development Company, LLC	30,000
Total	\$6,580,277

In addition to the investments in CUSOs noted in the table above, Catalyst Corporate also owns the following CUSOs which are fully consolidated: Catalyst Strategic Solutions, TranzCapture, LLC and Aptys Solutions, LLC. Non controlling interest reflected in the consolidated statement of financial condition as of December 31, 2020 includes ownership interest in TranzCapture, LLC and Aptys Solutions, LLC by other corporate credit unions. All significant intercompany balances and transactions have been eliminated in the Catalyst Corporate consolidated financial statements.

FINANCIAL REPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Loans

The composition of loans is as follows as of December 31, 2020:

Open-end credit lines	\$20,518,764
Term loans	163,523,000
Loan participations, net of allowance	1,946,258
Total	\$185,988,022

6. CLF Stock Subscription

CLF stock subscription at December 31, 2020 includes \$89,921,049 invested into NCUA's Central Liquidity Facility (CLF) Agent Subscription Program by Catalyst Corporate on behalf of its member credit unions with assets under \$250,000,000, as well as \$6,198,643 invested by Catalyst Corporate as a regular member of the NCUA CLF.

7. Members' Shares and Certificates

Members' shares are summarized as follows as of December 31, 2020:

Cash management	\$2,642,003,441
Performance tiered	952,738,900
Other	86,439,713
Total	\$3,681,182,054

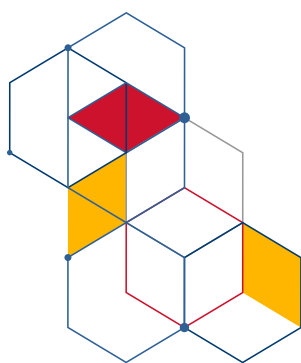
Members' share certificate balance is \$141,901,000 as of December 31, 2020. Catalyst Corporate members transferred \$10,257,416,027 to the Excess Balance Account at the Federal Reserve Bank as of December 31, 2020.

8. Regulatory Capital

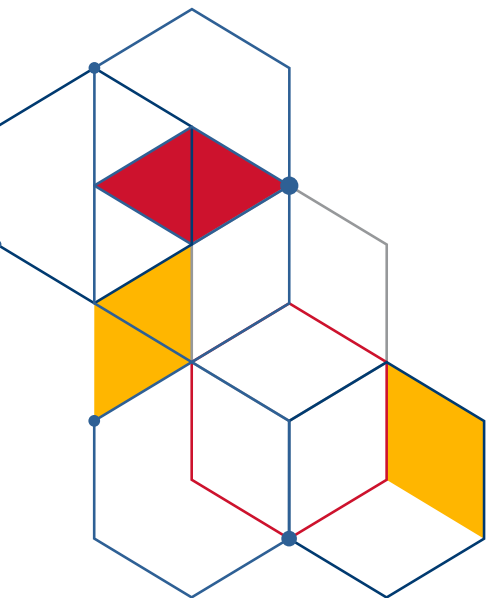
As of December 31, 2020, Catalyst Corporate's retained earnings ratio is 3.92%. Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of December 31, 2020.

The table below presents Catalyst Corporate's actual and required capital ratios as of December 31, 2020:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	9.07%	4.00%	5.00%
Tier 1 risk-based capital ratio	28.33%	4.00%	6.00%
Total risk-based capital ratio	28.33%	8.00%	10.00%



ANNUAL REPORT



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

For the period ending December 31, 2019, the CPA firm of Doeren Mayhew performed this function. Catalyst Corporate's 2019 Annual Report and 2019 Audited Financials are available on Catalyst Corporate's website under [About Us / Due Diligence / Annual Meeting Materials](#).

Catalyst Corporate's 2021 Annual Meeting is scheduled for, and will be streamed live:

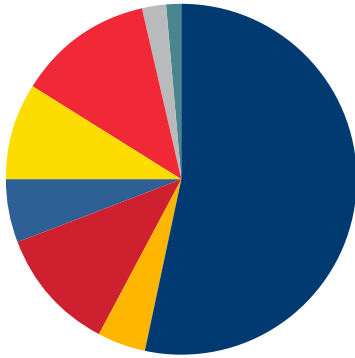
**May 4, 2021, 10 a.m. Central Time at
Catalyst Corporate's headquarters in Plano, Texas**

The 2020 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

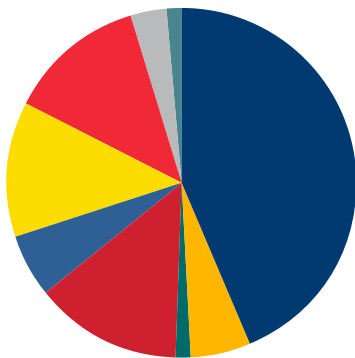


December 31, 2020

Overnight cash	\$1,959,032,156
Secured Loans	\$184,041,764
Loan participations	\$1,946,258
U.S. Treasury	\$2,106,644
Agency Securities	\$400,838,003
FFELP Student Loan	\$197,783,561
Auto Loan	\$348,372,702
Credit Card	\$470,831,217
Equipment	\$99,148,960
Commercial Paper	\$36,972,250

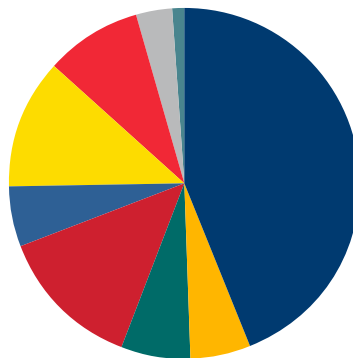
Risk Exposure December 31, 2020

Risk Exposure	Regulatory Limits	Current
Interest rate risk (NEV volatility)	-20.0%	-15.4%
Weighted Average Life of Financial Assets	2.00 years	0.77
Weighted Average Life of Financial Assets - Stress Test	2.25 years	0.80
Single Obligor Limits (% of Capital)		
Credit Card ABS	50.0%	20.2%
Sector Limits (% of Capital)		
Agency RMBS/CMBS	1000.0%	132.2%
Credit Card ABS	500.0%	155.9%
Asset Diversification (% of Assets)		
Agency RMBS/CMBS	50.0%	9.6%
Credit Card ABS	25.0%	11.3%



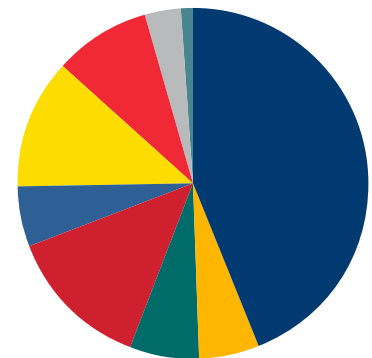
September 30, 2020

Overnight cash	\$1,432,514,947
Secured Loans	\$170,044,108
Loan participations	\$2,256,285
U.S. Treasury	\$52,107,529
Agency Securities	\$442,434,774
FFELP Student Loan	\$197,108,401
Auto Loan	\$398,887,721
Credit Card	\$408,011,117
Equipment	\$126,514,095
Commercial Paper	\$34,993,700



June 30, 2020

Overnight cash	\$1,444,377,395
Secured Loans	\$186,245,452
Loan participations	\$2,640,849
U.S. Treasury	\$202,051,916
Agency Securities	\$422,887,688
FFELP Student Loan	\$185,380,633
Auto Loan	\$417,980,888
Credit Card	\$281,339,007
Equipment	\$97,950,692
Commercial Paper	\$34,966,750



March 31, 2020

Overnight cash	\$1,044,581,723
Secured Loans	\$157,572,337
Loan participations	\$3,046,125
U.S. Treasury	\$2,110,500
Agency Securities	\$362,862,541
FFELP Student Loan	\$178,443,647
Auto Loan	\$449,682,677
Credit Card	\$318,663,943
Equipment	\$103,764,084
Commercial Paper	\$29,880,300

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.

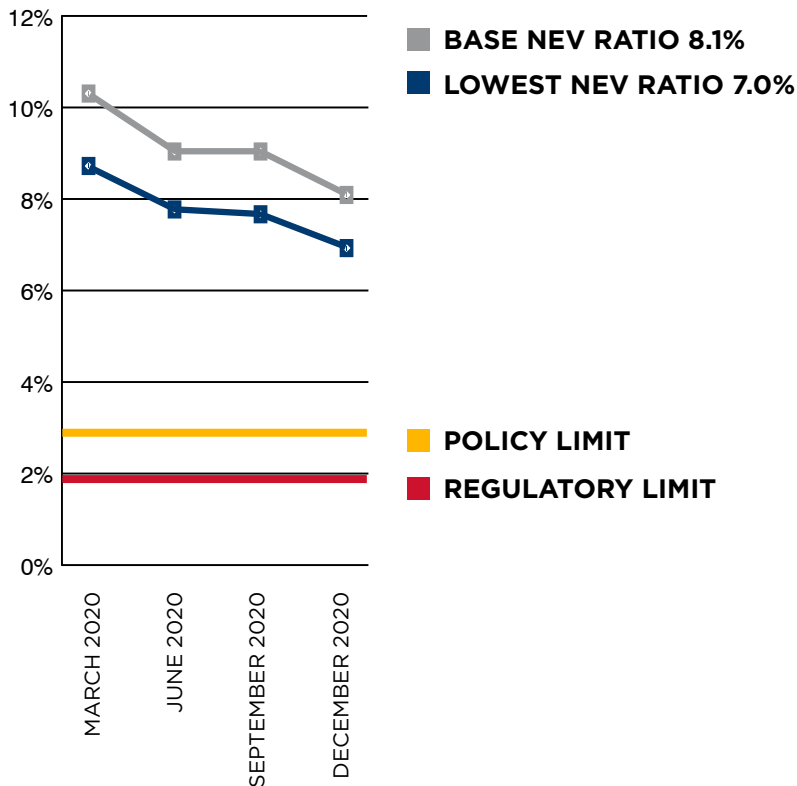
The objective of the NEV test is to measure whether Catalyst Corporate has sufficient capital to absorb potential changes to the fair value of its balance sheet given large, sustained instantaneous interest rate shocks.

A summary of Catalyst Corporate's NEV test at December 31, 2020 is as follows (in thousands):

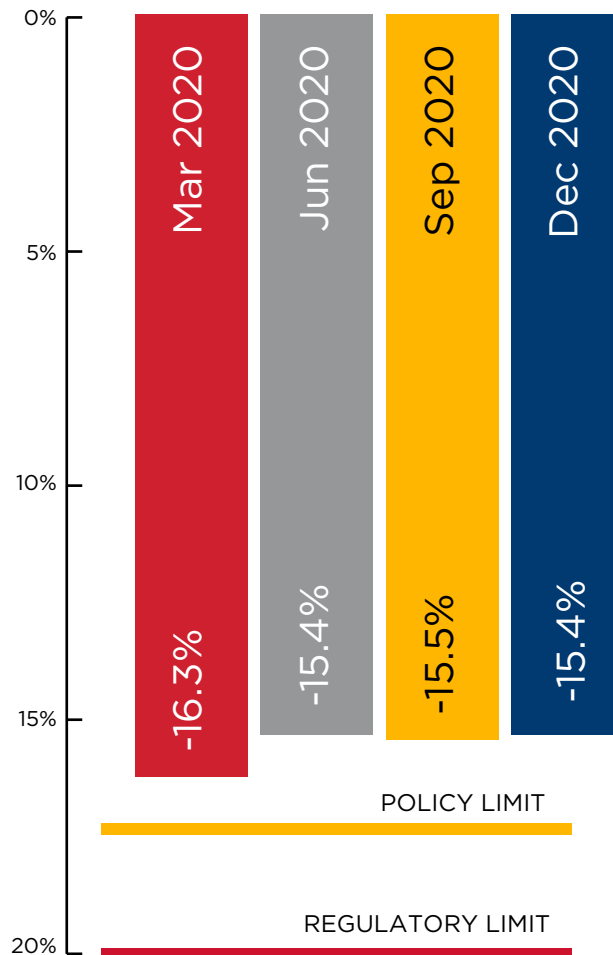
	NEV	\$ Change in NEV	% Change in NEV
Fair Value Base	\$339,500	N/A	N/A
Fair Value +300 BP	\$287,100	(\$52,400)	-15.4%
Fair Value -100 BP*	\$365,100	\$25,600	7.5%

**Interest rates are adjusted down 100 basis points due to the low rate environment at December 31, 2020.*

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, 2020, Catalyst Corporate had \$2.0 billion in cash and cash equivalents. In addition, Catalyst Corporate had access to a \$385.5 million advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$1.0 billion repurchase agreement LOC with J.P. Morgan Securities LLC and a \$30 million unsecured Fed Funds LOC with JPMorgan Chase Bank as of December 31, 2020. The advised LOC with FHLB of Dallas and the repurchase agreement LOC with J.P. Morgan Securities LLC are secured with qualified investment securities. There are no outstanding advances under any of these agreements as of December 31, 2020.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate had outstanding loans to members of \$186.0 million and total

uncommitted lines of credit to members of \$9.9 billion at December 31, 2020. 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 2020	\$2.6 billion	\$7.4 billion
Jun 2020	\$3.3 billion	\$9.7 billion
Sep 2020	\$3.4 billion	\$9.8 billion
Dec 2020	\$3.8 billion	\$10.3 billion

Current Portfolio* December 31, 2020

Assets		
ASSETS	PERCENT OF BALANCE SHEET	WAL (YEARS)
Loans	4.4%	3.6
ABS - Autos	8.3%	0.6
ABS - Credit Cards	11.3%	1.2
FFELP Student Loans	4.7%	3.4
ABS - Equipment	2.4%	0.5
Agency RMBS/CMBS	9.6%	1.7
SBA Pools	0.0%	2.4
Commercial Paper	0.9%	0.4
U.S. Treasury	0.1%	0.6
FDIC/NCUA Guaranteed Certificates	0.2%	1.2
Securities purchased under agreements to resell	7.2%	0.1
Other (Non-Earning)	3.9%	2.3
Overnight	47.0%	0.0
Total	100%	

Liabilities & Capital		
SHARES & EQUITY	PERCENT OF BALANCE SHEET	WAL (YEARS)
Overnight Shares	89.2%	0.0
Borrowed Funds	0.0%	0.0
Certificates	3.4%	0.4
Member Capital	4.3%	0.0
RUDE	3.1%	0.0
Total	100.0%	0.02
Asset Average Life Mismatch (years)		0.75

WAL = Weighted Average Life

*Based on a \$4.17 billion balance sheet

PORTFOLIO

ALM LIMITS

DECEMBER 31, 2020	REGULATION	CURRENT
NRSRO Rating AA or better	AA-	AA+
No Prohibited Securities	None	None
NEV Volatility (Base Plus)	20%	15.4%
NEV Ratio (Base Plus)	2%	7.0%
Weighted Average Life of Financial Assets (yrs)	2.00	0.77
Stressed Weighted Average Life of Financial Assets (yrs)	2.25	0.80

DIVERSIFICATION LIMITS TO ASSET SIZE

DECEMBER 31, 2020	REGULATION	CURRENT
Loans	NA	4.4%
Auto Loan Asset Backed Securities	25%	8.3%
Credit Card Asset Backed Securities	25%	11.3%
FFELP Student Loan Securities	50%	4.7%
Equipment Asset Backed Securities	25%	2.4%
Corporate Bonds	50%	0.0%
Agency Residential/Commercial Mortgage Backed Securities	50%	9.6%
SBA Pools	25%	0.0%
Commercial Paper	N/A	0.9%
U.S. Treasury	N/A	0.1%
FDIC/NCUA Guaranteed Certificates	N/A	0.2%
Securities Purchased under Agreements to Resell	N/A	7.2%
Other (Non-Earning)	N/A	3.9%
Overnight Investments	N/A	47.0%

SINGLE OBLIGOR LIMITS TO CAPITAL*

DECEMBER 31, 2020	REGULATION	CURRENT
Auto Loan Asset Backed Securities	25%	7.3%
Credit Card Asset Backed Securities	50%	20.2%
FFELP Student Loan Securities	25%	7.2%
Equipment Asset Backed Securities	25%	8.3%
Corporate Bonds	25%	0.0%

* Obligor limits are set as a percentage of the corporate's total capital. As of December 31, 2020, total capital is \$302,078,755. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs.

SECTOR LIMITS TO CAPITAL*

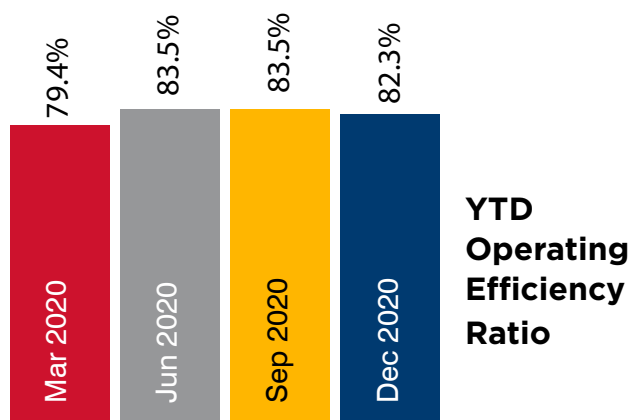
DECEMBER 31, 2020	REGULATION	CURRENT
Auto Loan Asset Backed Securities	500%	115.3%
Credit Card Asset Backed Securities	500%	155.9%
FFELP Student Loan Securities	1,000%	65.5%
Equipment Asset Backed Securities	500%	32.8%
Corporate Bonds	1,000%	0.0%
Agency Residential/Commercial Mortgage Backed Securities	1,000%	132.2%
SBA Pools	500%	0.5%
Commercial Paper	N/A	12.2%
U.S. Treasury	N/A	0.7%

* Sector limits are set as a percentage of the corporate's total capital. As of December 31, 2020, total capital is \$302,078,755. Total capital consists of Perpetual Contributed Capital and Retained Earnings, less Investments in Unconsolidated CUSOs.

KEY PERFORMANCE RATIO GRAPHICS

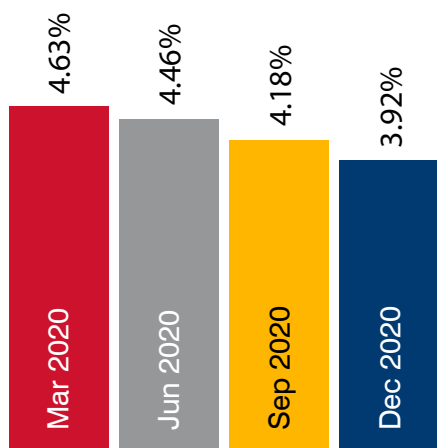
OPERATING EFFICIENCY RATIO

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

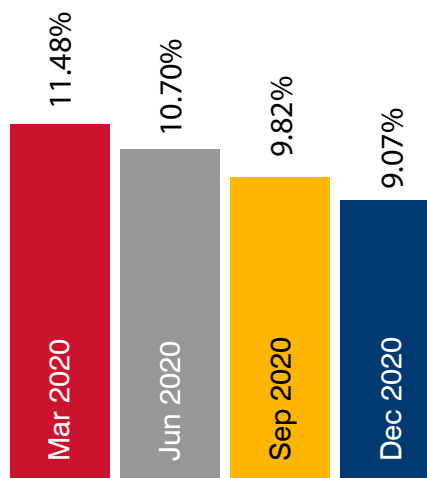


REGULATORY CAPITAL RATIOS

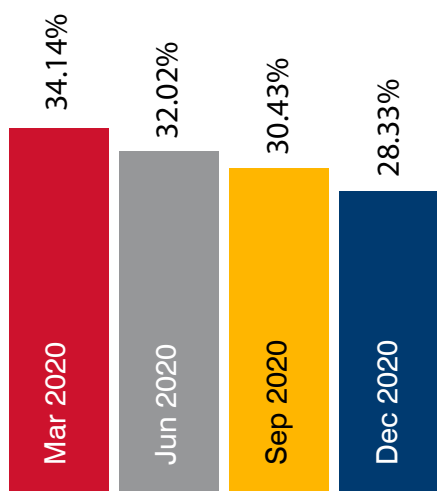
Retained Earnings Ratio



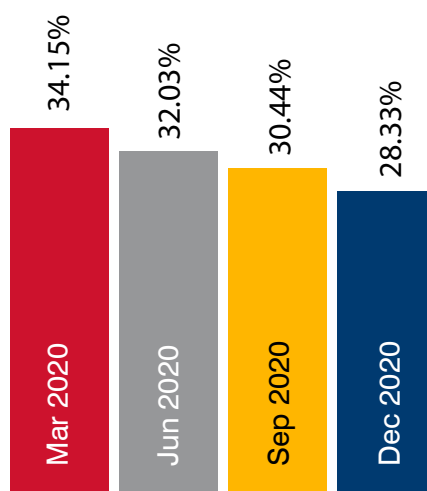
Leverage Ratio



Tier One Risk-Based Capital Ratio



Total Risk-Based Capital Ratio



CUSOs AND PARTNERS

APTYS SOLUTIONS, LLC

Aptys Solutions, owned by Catalyst Corporate, Alloya Corporate Federal Credit Union and Vizo Financial Corporate Credit Union, is a leading provider of correspondent electronic payment processing software for community financial institutions. Partnering with correspondent service providers, Aptys' payments platform processes nearly a billion ACH, check, and wire transactions annually for over 5,000 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 and is developing tiles for the platform.

CU BUSINESS GROUP, LLC

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

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

CU Business Group is owned by six corporate credit unions. As of December 31, 2020, Catalyst Corporate owns approximately 37 percent of this CUSO and has 181 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 11.1 percent ownership stake. Catalyst Corporate employs registered agents to assist with approximately 118 active credit unions at present; 109 of these have done trades in the past 12 months. Catalyst Corporate's sales volume as of December 31, 2020 was \$3.1 billion.

CUSOURCE, LLC/CATALYST STRATEGIC SOLUTIONS

CUSOURCE, LLC, better known as Catalyst Strategic Solutions, is a wholly-owned CUSO of Catalyst Corporate that provides client credit unions with balance sheet consulting, including an SEC-registered investment advisory service, asset-liability management modeling, derivative hedging support, and related consultation. Catalyst Strategic Solutions has been in operation since 1998. As of December 31, 2020, 90 credit unions use the investment advisory service, and 756 credit unions and corporates use ALM and consulting services. As of December 31, 2020, Catalyst Strategic Solutions had \$4.6 billion in off-balance sheet funds under advisement.

For additional due diligence information on these CUSOs and partners, [contact Member Services](#) at 800.442.5763, Option 1.

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 308 credit unions using the program that is offered in partnership with JPMorgan Chase, with approximately \$19.2 billion in safekeeping for credit unions and \$1.1 billion in corporate holdings as of December 31, 2020. Catalyst Corporate's reverse repurchase agreements are collateralized by approximately \$285 million in agency mortgage-backed securities held by JPMorgan Chase.

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, 2020, Catalyst Corporate has an investment of \$30,000 in Members Development Company, which equates to a 2.08 percent ownership in the company.

PRIMARY FINANCIAL, LLC

Primary Financial, LLC is owned by 10 corporate credit unions and provides brokered certificates of deposit to natural person credit unions nationwide, as well as a channel for these credit unions to issue certificates. Catalyst Corporate has an investment of \$1.7 million in Primary Financial, equating to an 8.0 percent interest in the company. As of December 31, 2020, Catalyst Corporate had SimpliCD agreements with 761 credit unions, including 305 credit unions actively using the service over the last 12 months, and \$555 million in sales year-to-date.

PSCU

PSCU is a payments CUSO that leverages digital technology to support the success of more than 1,500 credit unions across the U.S., representing more than 5.4 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. Catalyst Corporate owns 74 percent of the CUSO, while Alloya Corporate Federal Credit Union owns 25 percent of the CUSO and Corporate One Federal Credit Union owns one percent of the CUSO. As of December 31, 2020, 1,367 credit unions were using TranzCapture services.

For additional due diligence information on these CUSOs and partners, [contact Member Services](#) at 800.442.5763, Option 1.

OPERATIONAL COMPLIANCE

BUSINESS CONTINUITY SUMMARY

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

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

- Analyze the business
- Assess the continuity risks
- Develop the strategy
- Develop the plan
- Exercise and update the plan as necessary

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 annual Continuity Risk Assessment are documented and presented to the board of directors annually.

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

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

Business Continuity Plans

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

Business units have developed and refined both continuity plans for their critical systems and exercise plans to validate their 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, or if working from home.
- Disaster Declaration Plans address the building being indefinitely inaccessible and/or totally destroyed.
- Temporary Evacuation Plans address the evacuation of the building for a few hours.
- The Pandemic Preparedness Plan details the steps that need to be taken in the event of a pandemic event. Tabletop exercises and Pandemic Advisory Group meetings are held, as needed, to ensure capability for handling such situations efficiently and effectively.

Backup

Catalyst Corporate knows that recovery of data from backup may take longer than what is acceptable during a disaster. To mitigate this concern, a hot-site

OPERATIONAL COMPLIANCE

BUSINESS CONTINUITY SUMMARY (CONTINUED)

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 backup files are sent off-site for long-term storage. Data backups are tested periodically to verify the backup systems are working properly.

Hot-site

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

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.

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.

Remote Workforce

Following the onset of the COVID-19 pandemic, Catalyst Corporate has largely moved to a hybrid-remote workforce. The rapid transition process demonstrated the contingency planning that went into the design of Catalyst Corporate's network and systems. The ability to work remotely significantly decreases the risk that disaster events affecting the headquarters location translate into operational issues affecting member credit unions.

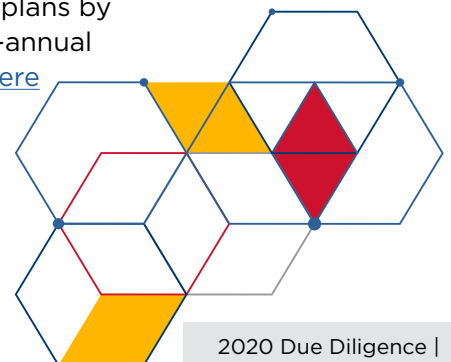
Continuity Exercises

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 of directors annually.

Contingency Communications

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

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



OPERATIONAL COMPLIANCE

BUSINESS CONTINUITY ACTIVITY REPORT

Service Alert Message (SAM) System

Regular SAM notifications, sent to participating credit unions, ensure that credit union contact information for specific processes is maintained and communications to member credit unions regarding the nature and duration of process specific disruptions is timely. The SAM system was used multiple times in 2020 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 1,360 credit unions, partners and CUSOs in these exercises (as of December 2020).

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 4th quarter of 2020. No significant issues were identified during any of the disaster recovery exercises performed in 2020.

Employee Notification Exercise

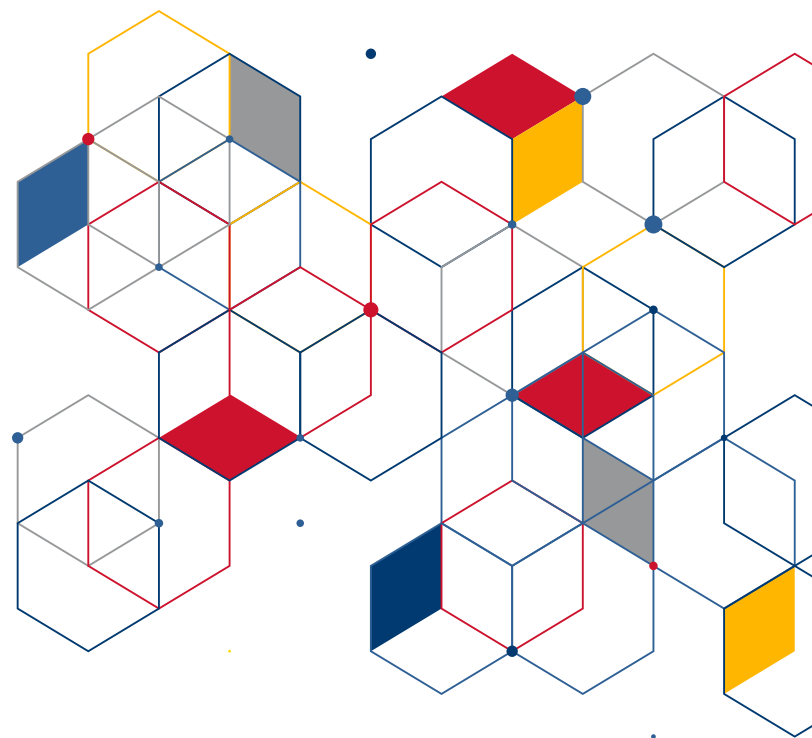
Employee notification exercises are conducted on a regular basis to ensure immediate and responsive communication to Catalyst Corporate management and employees in the event of a business continuity event. An off-premise notification and conferencing system can deliver alerts and information by phone, text and email. Additionally, conference bridges are available to streamline recovery collaboration efforts. Multiple employee notification exercises were conducted successfully in 2020.

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 2020 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 in order to assess additional areas of coverage.



OPERATIONAL COMPLIANCE

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

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

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

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

FIDELITY BOND STATEMENT

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

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

PRIVACY AND SECURITY

DESCRIPTION OF THE PRIVACY AND SECURITY AFFIDAVITS

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

Affidavit Regarding Part 717

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

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

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

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

PRIVACY AND SECURITY

Affidavit Regarding Part 1016 (Regulation P) and Part 748

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

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

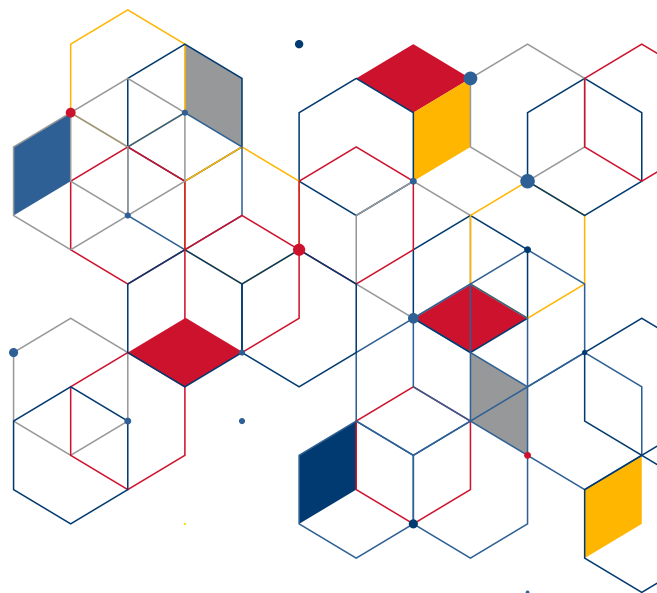
Catalyst Corporate agrees not to use nonpublic personal information about any credit union's members, or about any other person, for any purpose other than those purposes for which the credit union disclosed the information to Catalyst Corporate, including servicing and processing of transactions in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

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

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

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

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



PRIVACY AND SECURITY

Affidavit Regarding PCI Data Security Standards

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

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

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

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

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

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

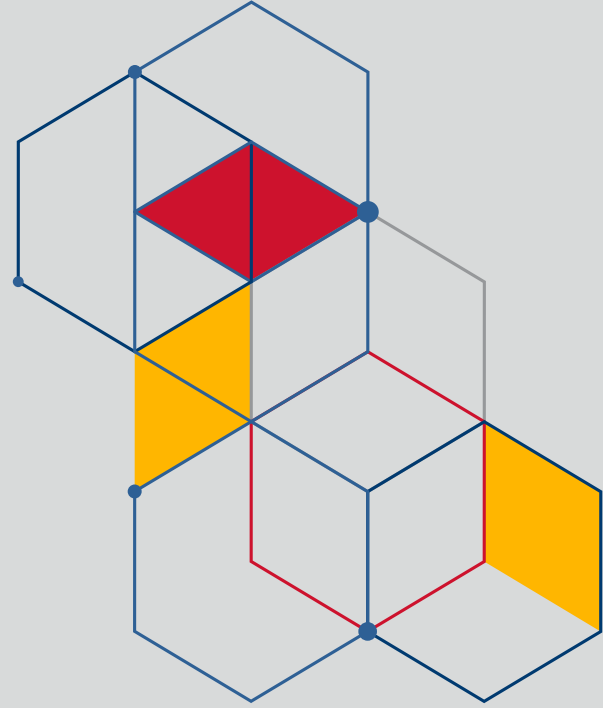
Catalyst Corporate has an incident response plan in place that provides guidance for our response if a security breach occurs. If an incident occurs that involves unauthorized access to or unauthorized use of card data, Catalyst Corporate will take actions that Catalyst Corporate deems to be appropriate,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

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

SSAE18 STATEMENT

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

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



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