



**January
2023**

**Financial Statements
and Management's
Discussion & Analysis**

Table of Contents

Management's Discussion and Analysis	2
Results of Operations	2
Credit Risk	3
Interest Rate Risk	4
Liquidity Risk	4
Regulatory Capital	5
Consolidated Statements of Financial Condition (<i>Unaudited</i>)	6
Consolidated Statements of Income (<i>Unaudited</i>)	7
Consolidated Statement of Comprehensive Income (<i>Unaudited</i>)	8
Consolidated Statement of Members' Equity (<i>Unaudited</i>)	8
Notes to Consolidated Financial Statements	9
1. Cash and Cash Equivalents	9
2. Available-for-Sale Investments	9
3. Other Investments	9
4. Loans	10
5. Members' Shares and Certificates	10
6. U.S. Central Estate Settlement	10

For more information, please contact:

Melissa Wardell, SVP/Chief Financial Officer at 214.703.7890 or mwardell@catalystcorp.org

Management's Discussion and Analysis

Results of Operations

Catalyst Corporate's net income for the one month ended January 31, 2023 and 2022 totaled \$2,594,513 and \$2,021,642, respectively. January operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 68.7% and 76.5%, respectively.

A summary of the unaudited results of Catalyst Corporate's operations for the one month ended January 31, 2023 and 2022 is included in the following table.

	YTD Jan 2023	YTD Jan 2022
Net interest income	\$3,941,438	\$1,278,707
Net fee income	3,313,522	3,282,434
Operating expenses	(4,825,551)	(4,290,106)
Other net gains	-	1,640,900
Non controlling interest	165,104	109,707
Net income	\$2,594,513	\$2,021,642

Key Information:		
Net operating expense	\$1,512,029	\$1,007,672
Perpetual contributed capital (PCC)	\$187,417,762	\$185,970,581
Retained earnings	\$192,678,473	\$194,323,315
Operating efficiency ratio	68.7%	76.5%
Return on assets	0.81%	0.57%
Leverage / Tier 1 capital ratio	9.85%	8.91%
Retained earnings ratio	5.12%	4.65%
Daily average net assets – 12 month rolling	\$3,766,764,492	\$4,182,288,838
Monthly average EBA balance transfer to FRB	\$2,996,906,765	\$9,503,123,217

Credit Risk

The weighted average life of assets is 1.175 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.561 years. As of January 31, 2023, Catalyst Corporate's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$1,007,273,952	\$996,600,129	(\$10,673,823)
Agency commercial mortgage-backed securities	421,395,525	409,293,349	(12,102,176)
U.S. Treasury securities	117,780,344	115,427,843	(2,352,501)
Agency mortgage-backed securities	41,041,007	38,933,566	(2,107,441)
Corporate debt obligations	29,826,522	29,567,377	(259,145)
Federal agency securities	1,093,302	1,100,941	7,639
Total	\$1,618,410,652	\$1,590,923,205	(\$27,487,447)

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of January 31, 2023:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Credit card	\$364,410,114	\$361,212,378	(\$3,197,736)
Automobile	348,774,536	344,923,754	(3,850,782)
FFELP student loan	157,780,533	155,229,190	(2,551,343)
Equipment	136,308,769	135,234,807	(1,073,962)
Total	\$1,007,273,952	\$996,600,129	(\$10,673,823)

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 as of January 31, 2023 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$352,078	\$296,169	\$417,999
% Change in NEV	-	(15.9%)	18.7%

The percentage changes to Catalyst Corporate's NEV under either rate shock are under the 20 percent NCUA regulatory limit.

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 January 31, 2023, Catalyst Corporate has \$826,490,687 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$542,329,532 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$200,000,000 repurchase agreement LOC with J.P. Morgan Securities LLC, and a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of January 31, 2023. 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 January 31, 2023.

In 2023, Catalyst Corporate gained access to the Federal Reserve Discount Window. As of February 28, 2023, Catalyst Corporate has borrowing capability of \$595,018,814 at the Discount Window based on available collateral. There were no borrowings outstanding as of February 28, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$818,100,504 and additional uncommitted LOCs to members of \$9,923,074,073 as of January 31, 2023. All outstanding LOCs are collateralized by specific or general pledges of the members' assets.

Regulatory Capital

Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of January 31, 2023.

The table below presents Catalyst Corporate's actual and required capital ratios as of January 31, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.12%	N/A	N/A
Leverage / Tier 1 capital ratio	9.85%	4.00%	5.00%
Tier 1 risk-based capital ratio	27.54%	4.00%	6.00%
Total risk-based capital ratio	27.54%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

January 31,	2023	2022
Assets		
Cash and cash equivalents	\$826,490,687	\$1,919,981,712
Investments:		
Available-for-sale	1,590,923,205	1,637,967,218
Central Liquidity Facility (CLF) capital stock	-	97,697,731
Other investments	44,415,965	14,871,217
Loans, net of allowance of \$13,669 and \$47,235 as of January 31, 2023 and 2022, respectively	818,100,504	270,281,085
Accrued receivables and other assets	42,016,158	32,738,309
Property and equipment, net	13,484,658	14,166,400
Goodwill and other intangible assets	7,243,386	7,653,386
National Credit Union Share Insurance Fund (NCUSIF)	2,390,296	2,463,194
Total assets	\$3,345,064,859	\$3,997,820,252
Liabilities		
Members' shares and certificates	\$2,962,631,713	\$3,589,436,907
Accrued expenses and other liabilities	19,320,918	22,686,378
Total liabilities	2,981,952,631	3,612,123,285
Members' Equity		
PCC	187,417,762	185,970,581
Retained earnings	192,678,473	194,323,315
Non controlling interest	10,808,136	6,639,182
Accumulated other comprehensive loss	(27,792,143)	(1,236,111)
Total members' equity	363,112,228	385,696,967
Total liabilities and members' equity	\$3,345,064,859	\$3,997,820,252
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the month ended January 31,	
	2023	2022
Interest income		
Available-for-sale investments	\$4,683,504	\$865,016
Federal Reserve Bank	3,500,675	259,946
Loans	3,594,243	210,884
Other	166,919	29,785
Total interest income	11,945,341	1,365,631
Interest expense		
Members' shares and certificates	\$7,303,754	86,924
Borrowed funds	700,149	-
Total interest expense	8,003,903	86,924
Net interest income	3,941,438	1,278,707
Net fee income		
Share draft and depository processing fees	1,869,044	1,654,947
Off-balance-sheet income	714,945	955,559
Other fee income	1,602,665	1,428,057
Outside processing and service costs	(873,132)	(756,129)
Total net fee income	3,313,522	3,282,434
Operating expenses		
Compensation and benefits	3,675,061	3,138,632
Information technology	736,996	667,904
Professional fees	118,592	213,744
Office occupancy	94,546	95,422
Other operating expense	200,356	174,404
Total operating expenses	4,825,551	4,290,106
Other net gains	-	1,640,900
Non controlling interest	165,104	109,707
Net income	\$2,594,513	\$2,021,642
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statement of Comprehensive Income

(Unaudited)

For the month ended January 31,	2023
Net income	\$2,594,513
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	6,316,846
Net unrealized holding gains on derivatives designated as cash flow hedges	66,290
Total other comprehensive income	6,383,136
Comprehensive income	\$8,977,649
The accompanying notes are an integral part of the consolidated financial statements.	

Consolidated Statement of Members' Equity

(Unaudited)

For the month ended January 31, 2023

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2022	\$187,417,762	\$192,161,001	\$10,973,240	(\$34,175,279)	\$356,376,724
Net income (loss)		2,594,513	(165,104)		2,429,409
Dividends paid on PCC		(2,077,041)			(2,077,041)
Other comprehensive income				6,383,136	6,383,136
Balance at January 31, 2023	\$187,417,762	\$192,678,473	\$10,808,136	(\$27,792,143)	\$363,112,228
The accompanying notes are an integral part of the consolidated financial statements.					

Notes to Consolidated Financial Statements

1. Cash and Cash Equivalents

Cash on deposit and cash items in the process of collection from correspondent banks and the Federal Reserve Bank are included in cash and cash equivalents in the consolidated statements of financial condition.

2. Available-for-Sale Investments

The amortized cost and estimated fair value of available-for-sale investments as of January 31, 2023 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$1,007,273,952	\$996,600,129	(\$10,673,823)
Agency commercial mortgage-backed securities	421,395,525	409,293,349	(12,102,176)
U.S. Treasury securities	117,780,344	115,427,843	(2,352,501)
Agency mortgage-backed securities	41,041,007	38,933,566	(2,107,441)
Corporate debt obligations	29,826,522	29,567,377	(259,145)
Federal agency securities	1,093,302	1,100,941	7,639
Total	\$1,618,410,652	\$1,590,923,205	(\$27,487,447)

3. Other Investments

Other investments are comprised of the following as of January 31, 2023:

Investments in credit union service organizations (CUSOs)	\$7,247,965
Interest-bearing certificates of deposit	16,943,000
FHLB capital stock	18,225,000
Other	2,000,000
Total	\$44,415,965

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

4. Loans

The composition of loans is as follows as of January 31, 2023:

Open-end credit lines	\$313,504,533
Term loans	504,214,885
Loan participations, net of allowance	381,086
Total	\$818,100,504

5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of January 31, 2023:

Daily shares	\$2,525,163,225
Share certificates	437,468,488
Total	\$2,962,631,713

Catalyst Corporate members transferred \$2,706,658,695 to the Excess Balance Account at the Federal Reserve Bank as of January 31, 2023.

6. U.S. Central Estate Settlement

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to the capital holders of the U.S. Central Asset Management Estate (USC AME). Catalyst Corporate holds an interest in the USC AME related to claims from Georgia Corporate Federal Credit Union (Georgia Corporate) and First Corporate Federal Credit Union (First Corporate). The total expected recovery for Catalyst Corporate is approximately \$107,700,000. As of September 2022, Catalyst Corporate has received four distributions in 2021 and 2022 totaling approximately \$91,200,000 with the remaining \$16,500,000 projected to be received in 2023. Catalyst Corporate's Board of Directors also approved a fee waiver of all recurring monthly member services fees on the April 2022 billing invoice totaling approximately \$2,836,000.

In 2022 a portion of the funds received from the USC AME was distributed to former member credit unions of Georgia Corporate and First Corporate that are capitalized PCC members of Catalyst Corporate. The amount distributed in 2022 totaled approximately \$53,014,000 and was equal to the capital that these member credit unions lost at either Georgia Corporate or First Corporate.

In March 2023, Catalyst Corporate received a distribution from the USC AME totaling approximately \$9,414,000.