



February
2023

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

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Management's Discussion and Analysis

Results of Operations

Catalyst Corporate's net income for the two months ended February 28, 2023 and 2022 totaled \$5,306,365 and \$2,539,891, respectively. February year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 68.5% and 78.7%, respectively.

A summary of the unaudited results of Catalyst Corporate's operations for the two months ended February 28, 2023 and 2022 is included in the following table.

	YTD Feb 2023	YTD Feb 2022
Net interest income	\$7,947,798	\$2,538,609
Net fee income	6,433,827	6,626,332
Operating expenses	(9,390,541)	(8,425,052)
Other net gains	-	1,640,900
Non controlling interest	315,281	159,102
Net income	\$5,306,365	\$2,539,891

Key Information:		
Net operating expense	\$2,956,714	\$1,798,720
Perpetual contributed capital (PCC)	\$187,417,762	\$185,977,387
Retained earnings	\$195,390,325	\$194,841,564
Operating efficiency ratio	68.5%	78.7%
Return on assets	0.87%	0.38%
Leverage / Tier 1 capital ratio	9.89%	8.91%
Retained earnings ratio	5.17%	4.65%
Daily average net assets – 12 month rolling	\$3,777,201,073	\$4,187,737,970
Monthly average EBA balance transfer to FRB	\$2,608,058,431	\$9,538,275,483

Credit Risk

The weighted average life of assets is 0.923 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.630 years. As of February 28, 2023, Catalyst Corporate's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$980,570,594	\$968,526,237	(\$12,044,357)
Agency commercial mortgage-backed securities	482,719,387	468,326,034	(14,393,353)
U.S. Treasury securities	97,309,943	94,643,367	(2,666,576)
Agency mortgage-backed securities	40,098,104	37,279,663	(2,818,441)
Corporate debt obligations	24,842,358	24,493,857	(348,501)
Federal agency securities	1,084,961	1,092,173	7,212
Total	\$1,626,625,347	\$1,594,361,331	(\$32,264,016)

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of February 28, 2023:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Credit card	\$362,634,240	\$357,577,663	(\$5,056,577)
Automobile	314,853,143	311,304,048	(3,549,095)
FFELP student loan	153,112,321	150,711,131	(2,401,190)
Equipment	149,970,890	148,933,395	(1,037,495)
Total	\$980,570,594	\$968,526,237	(\$12,044,357)

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 February 28, 2023 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$347,100	\$289,300	\$414,500
% Change in NEV	-	(16.7%)	19.4%

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 February 28, 2023, Catalyst Corporate has \$1,972,378,381 in cash and cash equivalents. In addition, as of February 28, 2023, Catalyst Corporate has access to a \$595,018,014 borrowing capacity at the Federal Reserve Bank based on available collateral, a \$528,153,227 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, all of which are secured with qualified investment securities. Catalyst Corporate also has access to a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of February 28, 2023. There are no outstanding advances under any of these agreements as of February 28, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$708,295,187 and additional uncommitted LOCs to members of \$10,040,167,097 as of February 28, 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 February 28, 2023.

The table below presents Catalyst Corporate's actual and required capital ratios as of February 28, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.17%	N/A	N/A
Leverage / Tier 1 capital ratio	9.89%	4.00%	5.00%
Tier 1 risk-based capital ratio	27.83%	4.00%	6.00%
Total risk-based capital ratio	27.83%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

February 28,	2023	2022
Assets		
Cash and cash equivalents	\$1,972,378,381	\$2,318,906,155
Investments:		
Available-for-sale	1,594,361,331	1,658,756,763
Central Liquidity Facility (CLF) capital stock	-	97,697,731
Other investments	46,132,603	14,870,177
Loans, net of allowance of \$13,669 and \$47,235 as of February 28, 2023 and 2022, respectively	708,295,187	195,643,477
Accrued receivables and other assets	42,663,638	32,036,829
Property and equipment, net	13,838,711	14,231,996
Goodwill and other intangible assets	7,209,220	7,619,220
National Credit Union Share Insurance Fund (NCUSIF)	2,390,296	2,463,194
Total assets	\$4,387,269,367	\$4,342,225,542
Liabilities		
Members' shares and certificates	\$3,930,789,059	\$3,932,609,373
Accrued expenses and other liabilities	96,009,974	26,643,330
Total liabilities	4,026,799,033	3,959,252,703
Members' Equity		
PCC	187,417,762	185,977,387
Retained earnings	195,390,325	194,841,564
Non controlling interest	10,657,959	7,864,787
Accumulated other comprehensive loss	(32,995,712)	(5,710,899)
Total members' equity	360,470,334	382,972,839
Total liabilities and members' equity	\$4,387,269,367	\$4,342,225,542
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

For the two months ended February 28,		
	2023	2022
Interest income		
Available-for-sale investments	\$9,118,388	\$1,776,706
Federal Reserve Bank	9,233,994	492,705
Loans	6,704,082	398,095
Other	308,398	57,301
Total interest income	25,364,862	2,724,807
Interest expense		
Members' shares and certificates	\$16,716,915	186,198
Borrowed funds	700,149	-
Total interest expense	17,417,064	186,198
Net interest income	7,947,798	2,538,609
Net fee income		
Share draft and depository processing fees	3,627,603	3,388,577
Off-balance-sheet income	1,441,697	1,903,033
Other fee income	3,036,927	2,800,974
Outside processing and service costs	(1,672,400)	(1,466,252)
Total net fee income	6,433,827	6,626,332
Operating expenses		
Compensation and benefits	7,015,706	6,089,225
Information technology	1,505,834	1,380,738
Professional fees	245,979	378,083
Office occupancy	194,045	199,749
Other operating expense	428,977	377,257
Total operating expenses	9,390,541	8,425,052
Other net gains	-	1,640,900
Non controlling interest	315,281	159,102
Net income	\$5,306,365	\$2,539,891
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statement of Comprehensive Income

(Unaudited)

For the two months ended February 28,	2023
Net income	\$5,306,365
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	1,540,276
Net unrealized holding losses on derivatives designated as cash flow hedges	(360,709)
Total other comprehensive income	1,179,567
Comprehensive income	\$6,485,932
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the two months ended February 28, 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)		5,306,365	(315,281)		4,991,084
Dividends paid on PCC		(2,077,041)			(2,077,041)
Other comprehensive income				1,179,567	1,179,567
Balance at February 28, 2023	\$187,417,762	\$195,390,325	\$10,657,959	(\$32,995,712)	\$360,470,334
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>					

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 February 28, 2023 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$980,570,594	\$968,526,237	(\$12,044,357)
Agency commercial mortgage-backed securities	482,719,387	468,326,034	(14,393,353)
U.S. Treasury securities	97,309,943	94,643,367	(2,666,576)
Agency mortgage-backed securities	40,098,104	37,279,663	(2,818,441)
Corporate debt obligations	24,842,358	24,493,857	(348,501)
Federal agency securities	1,084,961	1,092,173	7,212
Total	\$1,626,625,347	\$1,594,361,331	(\$32,264,016)

3. Other Investments

Other investments are comprised of the following as of February 28, 2023:

Investments in credit union service organizations (CUSOs)	\$7,228,603
Interest-bearing certificates of deposit	18,679,000
FHLB capital stock	18,225,000
Other	2,000,000
Total	\$46,132,603

Investments in CUSOs includes equity method investments in Primary Financial, LLC and CU Business Group, 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 February 28, 2023:

Open-end credit lines	\$260,487,018
Term loans	447,456,184
Loan participations, net of allowance	351,985
Total	\$708,295,187

5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of February 28, 2023:

Daily shares	\$3,656,758,702
Share certificates	274,030,357
Total	\$3,930,789,059

Catalyst Corporate members transferred \$2,861,773,590 to the Excess Balance Account at the Federal Reserve Bank as of February 28, 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.