



**March
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 three months ended March 31, 2023 and 2022 totaled \$18,286,637 and \$23,936,848, respectively. March year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 69.9% and 79.1%, respectively.

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

	YTD Mar 2023	YTD Mar 2022
Net interest income	\$12,630,328	\$4,050,656
Net fee income	10,004,289	10,372,379
Operating expenses	(14,303,432)	(13,106,164)
Other net gains	-	1,640,900
Other income on U.S. Central Estate settlement	9,429,252	20,642,325
Non controlling interest	526,200	336,752
Net income	\$18,286,637	\$23,936,848

Key Information:		
Net operating expense	\$4,299,143	\$2,733,785
Perpetual contributed capital (PCC)	\$187,417,762	\$185,977,387
Retained earnings	\$208,370,597	\$216,238,521
Operating efficiency ratio	69.9%	79.1%
Return on assets	1.95%	2.33%
Leverage / Tier 1 capital ratio	10.17%	9.46%
Retained earnings ratio	5.48%	5.19%
Daily average net assets – 12 month rolling	\$3,801,388,434	\$4,167,745,313
Monthly average EBA balance transfer to FRB	\$3,062,056,521	\$10,330,149,270

Credit Risk

The weighted average life of assets is 0.771 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.596 years. As of March 31, 2023, Catalyst Corporate's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$934,520,695	\$924,549,105	(\$9,971,590)
Agency commercial mortgage-backed securities	546,735,298	535,767,188	(10,968,110)
U.S. Treasury securities	90,949,944	89,055,879	(1,894,065)
Agency mortgage-backed securities	39,208,326	37,020,409	(2,187,917)
Corporate debt obligations	24,858,275	24,635,498	(222,777)
Federal agency securities	1,076,584	1,083,195	6,611
Total	\$1,637,349,122	\$1,612,111,274	(\$25,237,848)

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

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Credit card	\$363,378,898	\$359,580,421	(\$3,798,477)
Automobile	280,563,251	277,609,778	(2,953,473)
FFELP student loan	150,317,852	147,814,717	(2,503,135)
Equipment	140,260,694	139,544,189	(716,505)
Total	\$934,520,695	\$924,549,105	(\$9,971,590)

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 March 31, 2023 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$367,100	\$304,800	\$440,100
% Change in NEV	-	(17.0%)	19.9%

The percentage changes to Catalyst Corporate's NEV under either rate shock are under the 35 percent NCUA regulatory limit under Part I Expanded Authority.

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 March 31, 2023, Catalyst Corporate has \$3,063,056,150 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$786,079,112 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst Corporate also has access to a \$480,499,123 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. Additionally, Catalyst Corporate has access to a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of March 31, 2023. Catalyst Corporate has \$100,000,000 outstanding advance as of March 31, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$373,395,658 and additional uncommitted LOCs to members of \$10,255,551,258 as of March 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 March 31, 2023. The table below presents Catalyst Corporate's actual and required capital ratios as of March 31, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.48%	N/A	N/A
Leverage / Tier 1 capital ratio	10.17%	4.00%	5.00%
Tier 1 risk-based capital ratio	28.96%	4.00%	6.00%
Total risk-based capital ratio	28.96%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

March 31,	2023	2022
Assets		
Cash and cash equivalents	\$3,063,056,150	\$2,152,275,543
Investments:		
Available-for-sale	1,612,111,274	1,673,541,944
Central Liquidity Facility (CLF) capital stock	-	97,697,731
Other investments	33,012,100	15,088,398
Loans, net of allowance of \$13,669 and \$47,235 as of March 31, 2023 and 2022, respectively	373,395,658	208,300,066
Accrued receivables and other assets	45,019,986	35,044,051
Property and equipment, net	13,799,682	14,122,368
Goodwill and other intangible assets	7,175,053	7,585,053
National Credit Union Share Insurance Fund (NCUSIF)	2,390,296	2,463,194
Total assets	\$5,149,960,199	\$4,206,118,348
Liabilities		
Members' shares and certificates	\$4,628,099,582	\$3,787,784,107
Borrowed funds	100,000,000	-
Accrued expenses and other liabilities	41,138,849	19,291,374
Total liabilities	4,769,238,431	3,807,075,481
Members' Equity		
PCC	187,417,762	185,977,387
Retained earnings	208,370,597	216,238,521
Non controlling interest	10,447,040	10,237,137
Accumulated other comprehensive loss	(25,513,631)	(13,410,178)
Total members' equity	380,721,768	399,042,867
Total liabilities and members' equity	\$5,149,960,199	\$4,206,118,348
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the three months ended March 31,	
	2023	2022
Interest income		
Available-for-sale investments	\$14,140,904	\$2,828,005
Federal Reserve Bank	17,850,496	990,796
Loans	9,155,633	615,298
Other	474,146	99,707
Total interest income	41,621,179	4,533,806
Interest expense		
Members' shares and certificates	\$28,194,702	483,150
Borrowed funds	796,149	-
Total interest expense	28,990,851	483,150
Net interest income	12,630,328	4,050,656
Net fee income		
Share draft and depository processing fees	5,559,097	5,127,157
Off-balance-sheet income	2,336,083	3,113,712
Other fee income	4,554,970	4,325,680
Outside processing and service costs	(2,445,861)	(2,194,170)
Total net fee income	10,004,289	10,372,379
Operating expenses		
Compensation and benefits	10,612,458	9,502,293
Information technology	2,273,968	2,081,147
Professional fees	426,587	617,891
Office occupancy	300,605	297,278
Other operating expense	689,814	607,555
Total operating expenses	14,303,432	13,106,164
Other net gains	-	1,640,900
Other income on U.S. Central Estate settlement	9,429,252	20,642,325
Non controlling interest	526,200	336,752
Net income	\$18,286,637	\$23,936,848
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statement of Comprehensive Income

(Unaudited)

For the three months ended March 31,	2023
Net income	\$18,286,637
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	8,566,444
Net unrealized holding gains on derivatives designated as cash flow hedges	95,204
Total other comprehensive income	8,661,648
Comprehensive income	\$26,948,285
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the three months ended March 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)		18,286,637	(526,200)		17,760,437
Dividends paid on PCC		(2,077,041)			(2,077,041)
Other comprehensive income				8,661,648	8,661,648
Balance at March 31, 2023	\$187,417,762	\$208,370,597	\$10,447,040	(\$25,513,631)	\$380,721,768
<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 March 31, 2023 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$934,520,695	\$924,549,105	(\$9,971,590)
Agency commercial mortgage-backed securities	546,735,298	535,767,188	(10,968,110)
U.S. Treasury securities	90,949,944	89,055,879	(1,894,065)
Agency mortgage-backed securities	39,208,326	37,020,409	(2,187,917)
Corporate debt obligations	24,858,275	24,635,498	(222,777)
Federal agency securities	1,076,584	1,083,195	6,611
Total	\$1,637,349,122	\$1,612,111,274	(\$25,237,848)

3. Other Investments

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

Investments in credit union service organizations (CUSOs)	\$7,360,200
Interest-bearing certificates of deposit	21,405,000
FHLB capital stock	2,246,900
Other	2,000,000
Total	\$33,012,100

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 March 31, 2023:

Open-end credit lines	\$96,039,457
Term loans	277,029,290
Loan participations, net of allowance	326,911
Total	\$373,395,658

5. Members' Shares and Certificates

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

Daily shares	\$4,364,192,107
Share certificates	263,907,475
Total	\$4,628,099,582

Catalyst Corporate members transferred \$3,424,785,973 to the Excess Balance Account at the Federal Reserve Bank as of March 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 had 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 \$9,429,000.