



**May
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 five months ended May 31, 2023 and 2022 totaled \$25,221,276 and \$23,549,137, respectively. May year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 69.2% and 79.0%, respectively.

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

	YTD May 2023	YTD May 2022
Net interest income	\$22,289,866	\$8,053,863
Net fee income	16,807,305	17,328,248
Operating expenses	(24,283,168)	(21,929,726)
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income on U.S. Central Estate settlement	9,429,252	20,642,325
Non controlling interest	978,021	649,468
Net income	\$25,221,276	\$23,549,137

Key Information:		
Net operating expense	\$7,475,863	\$4,601,478
Perpetual contributed capital (PCC)	\$188,124,899	\$186,580,840
Retained earnings	\$212,953,031	\$179,660,867
Operating efficiency ratio	69.2%	79.0%
Return on assets	1.56%	1.39%
Leverage / Tier 1 capital ratio	10.04%	8.77%
Retained earnings ratio	5.46%	4.40%
Daily average net assets – 12 month rolling	\$3,902,044,810	\$4,084,999,884
Monthly average EBA balance transfer to FRB	\$2,371,677,375	\$7,693,667,777

Credit Risk

The weighted average life of assets is 0.912 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.495 years. As of May 31, 2023, Catalyst Corporate's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$882,843,934	\$873,205,541	(\$9,638,393)
Agency commercial mortgage-backed securities	583,789,013	570,702,227	(13,086,786)
U.S. Treasury securities	231,058,708	229,100,890	(1,957,818)
Agency mortgage-backed securities	88,991,153	86,391,689	(2,599,464)
Corporate debt obligations	24,890,033	24,627,547	(262,486)
Federal agency securities	1,059,908	1,065,637	5,729
Total	\$1,812,632,749	\$1,785,093,531	(\$27,539,218)

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

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Credit card	\$324,191,558	\$320,062,224	(\$4,129,334)
Automobile	287,117,691	284,711,080	(2,406,611)
FFELP student loan	144,514,476	142,357,156	(2,157,320)
Equipment	127,020,209	126,075,081	(945,128)
Total	\$882,843,934	\$873,205,541	(\$9,638,393)

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

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$370,700	\$298,900	\$453,200
% Change in NEV	-	(19.4%)	22.3%

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 May 31, 2023, Catalyst Corporate has \$2,162,948,594 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$866,412,087 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst Corporate also has access to a \$506,670,872 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 May 31, 2023. Catalyst Corporate has \$150,000,000 outstanding advance as of May 31, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$376,739,410 and additional uncommitted LOCs to members of \$10,549,940,981 as of May 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 May 31, 2023. The table below presents Catalyst Corporate's actual and required capital ratios as of May 31, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.46%	N/A	N/A
Leverage / Tier 1 capital ratio	10.04%	4.00%	5.00%
Tier 1 risk-based capital ratio	30.25%	4.00%	6.00%
Total risk-based capital ratio	30.25%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

May 31,	2023	2022
Assets		
Cash and cash equivalents	\$2,162,948,594	\$1,257,884,458
Investments:		
Available-for-sale	1,785,093,531	1,973,876,409
Central Liquidity Facility (CLF) capital stock	-	99,955,549
Other investments	41,912,278	17,406,527
Loans, net of allowance of \$13,669 and \$47,235 as of May 31, 2023 and 2022, respectively	376,739,410	252,407,177
Accrued receivables and other assets	49,440,079	36,828,237
Property and equipment, net	14,266,537	13,947,811
Goodwill and other intangible assets	7,106,720	7,516,720
National Credit Union Share Insurance Fund (NCUSIF)	2,354,026	2,443,766
Total assets	\$4,439,861,175	\$3,662,266,654
Liabilities		
Members' shares and certificates	\$3,886,108,160	\$3,244,964,150
Borrowed funds	150,000,000	-
Dividend distribution payable	-	35,862,906
Accrued expenses and other liabilities	20,613,529	19,084,680
Total liabilities	4,056,721,689	3,299,911,736
Members' Equity		
PCC	188,124,899	186,580,840
Retained earnings	212,953,031	179,660,867
Non controlling interest	9,995,219	11,199,421
Accumulated other comprehensive loss	(27,933,663)	(15,086,210)
Total members' equity	383,139,486	362,354,918
Total liabilities and members' equity	\$4,439,861,175	\$3,662,266,654
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the five months ended May 31,	
	2023	2022
Interest income		
Available-for-sale investments	\$25,398,956	\$6,128,294
Federal Reserve Bank	36,934,387	2,631,487
Loans	12,531,192	1,184,161
Other	931,142	177,594
Total interest income	75,795,677	10,121,536
Interest expense		
Members' shares and certificates	\$51,842,169	2,067,673
Borrowed funds	1,663,642	-
Total interest expense	53,505,811	2,067,673
Net interest income	22,289,866	8,053,863
Net fee income		
Share draft and depository processing fees	9,307,093	8,518,862
Off-balance-sheet income	3,924,137	5,198,353
Other fee income	7,504,859	7,360,780
Outside processing and service costs	(3,928,784)	(3,749,747)
Total net fee income	16,807,305	17,328,248
Operating expenses		
Compensation and benefits	17,743,090	15,850,133
Information technology	3,925,436	3,508,362
Professional fees	792,951	898,993
Office occupancy	505,735	498,834
Other operating expense	1,315,956	1,173,404
Total operating expenses	24,283,168	21,929,726
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income on U.S. Central Estate settlement	9,429,252	20,642,325
Non controlling interest	978,021	649,468
Net income	\$25,221,276	\$23,549,137

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

Consolidated Statement of Comprehensive Income

(Unaudited)

For the five months ended May 31,	2023
Net income	\$25,221,276
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	6,265,075
Net unrealized holding losses on derivatives designated as cash flow hedges	(23,459)
Total other comprehensive income	6,241,616
Comprehensive income	\$31,462,892
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the five months ended May 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)		25,221,276	(978,021)		24,243,255
PCC issued	707,137				707,137
Dividends paid on PCC		(4,429,246)			(4,429,246)
Other comprehensive income				6,241,616	6,241,616
Balance at May 31, 2023	\$188,124,899	\$212,953,031	\$9,995,219	(\$27,933,663)	\$383,139,486
<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 May 31, 2023 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$882,843,934	\$873,205,541	(\$9,638,393)
Agency commercial mortgage-backed securities	583,789,013	570,702,227	(13,086,786)
U.S. Treasury securities	231,058,708	229,100,890	(1,957,818)
Agency mortgage-backed securities	88,991,153	86,391,689	(2,599,464)
Corporate debt obligations	24,890,033	24,627,547	(262,486)
Federal agency securities	1,059,908	1,065,637	5,729
Total	\$1,812,632,749	\$1,785,093,531	(\$27,539,218)

3. Other Investments

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

Investments in credit union service organizations (CUSOs)	\$7,340,378
Interest-bearing certificates of deposit	30,325,000
FHLB capital stock	2,246,900
Other	2,000,000
Total	\$41,912,278

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 May 31, 2023:

Open-end credit lines	\$124,050,233
Term loans	252,413,847
Loan participations, net of allowance	275,330
Total	\$376,739,410

5. Members' Shares and Certificates

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

Daily shares	\$3,636,074,814
Share certificates	250,033,346
Total	\$3,886,108,160

Catalyst Corporate members transferred \$2,045,542,095 to the Excess Balance Account at the Federal Reserve Bank as of May 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 \$109,600,000. As of May 2023, Catalyst Corporate has received five distributions since 2021 totaling approximately \$100,629,000 with the remaining \$8,971,000 projected to be received in 2023 and 2024.

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. Additionally, Catalyst waived one month of member services fees in 2022 totaling \$2,836,000.