



**July**  
**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 |

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## Management's Discussion and Analysis

### Results of Operations

Catalyst Corporate's net income for the seven months ended July 31, 2023 and 2022 totaled \$34,515,502 and \$27,110,525, respectively. July year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 69.7% and 78.5%, respectively.

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

|                          | YTD July 2023       | YTD July 2022 |
|--------------------------|---------------------|---------------|
| Net interest income      | <b>\$32,550,052</b> | \$13,292,881  |
| Recapture of loan losses | -                   | 6,915         |
| Net fee income           | <b>23,866,080</b>   | 24,182,345    |
| Operating expenses       | <b>(34,245,009)</b> | (30,801,153)  |
| April 2022 fee waiver    | -                   | (2,835,941)   |
| Other net gains          | -                   | 1,640,900     |
| Other income             | <b>10,999,780</b>   | 20,642,325    |
| Non controlling interest | <b>1,344,599</b>    | 982,253       |
| Net income               | <b>\$34,515,502</b> | \$27,110,525  |

|   |                        |                 |
|---|------------------------|-----------------|
| <b>Key Information:</b>                     |                        |                 |
| Net operating expense                       | <b>\$10,378,929</b>    | \$6,618,808     |
| Perpetual contributed capital (PCC)         | <b>\$190,016,017</b>   | \$186,581,340   |
| Retained earnings                           | <b>\$219,636,704</b>   | \$182,525,821   |
| Operating efficiency ratio                  | <b>69.7%</b>           | 78.5%           |
| Return on assets                            | <b>1.47%</b>           | 1.17%           |
| Leverage / Tier 1 capital ratio             | <b>9.90%</b>           | 9.06%           |
| Retained earnings ratio                     | <b>5.43%</b>           | 4.58%           |
| Daily average net assets – 12 month rolling | <b>\$4,042,517,416</b> | \$3,983,164,549 |
| Monthly average EBA balance transfer to FRB | <b>\$2,297,200,525</b> | \$5,966,872,972 |

## Credit Risk

The weighted average life of assets is 0.991 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.686 years. As of July 31, 2023, Catalyst Corporate's investments are comprised as follows:

|  | <b>Amortized<br/>Cost</b> | <b>Estimated<br/>Fair Value</b> | <b>Net<br/>Unrealized<br/>(Loss) Gain</b> |
|--|---------------------------|---------------------------------|---|
| Asset-backed securities                      | \$944,288,018             | \$935,888,161                   | (\$8,399,857)                             |
| Agency commercial mortgage-backed securities | 589,912,824               | 572,893,975                     | (17,018,849)                              |
| U.S. Treasury securities                     | 71,384,089                | 69,466,286                      | (1,917,803)                               |
| Agency mortgage-backed securities            | 85,321,194                | 82,061,182                      | (3,260,012)                               |
| Corporate debt obligations                   | 36,716,274                | 36,465,697                      | (250,577)                                 |
| Federal agency securities                    | 967,208                   | 971,307                         | 4,099                                     |
| <b>Total</b>                                 | <b>\$1,728,589,607</b>    | <b>\$1,697,746,608</b>          | <b>(\$30,842,999)</b>                     |

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

|                    | <b>Amortized<br/>Cost</b> | <b>Estimated<br/>Fair Value</b> | <b>Net<br/>Unrealized<br/>Loss</b> |
|--------------------|---------------------------|---------------------------------|------------------------------------|
| Credit card        | \$385,758,724             | \$381,237,614                   | (\$4,521,110)                      |
| Automobile         | 288,569,228               | 287,199,133                     | (1,370,095)                        |
| FFELP student loan | 140,468,313               | 138,505,701                     | (1,962,612)                        |
| Equipment          | 129,491,753               | 128,945,713                     | (546,040)                          |
| <b>Total</b>       | <b>\$944,288,018</b>      | <b>\$935,888,161</b>            | <b>(\$8,399,857)</b>               |

## 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 July 31, 2023 is as follows (in thousands):

|                        | <b>Fair Value</b> | <b>Fair Value<br/>+300 Basis Points</b> | <b>Fair Value<br/>-300 Basis Points</b> |
|------------------------|-------------------|---|---|
| <b>NEV</b>             | \$373,800         | \$302,000                               | \$451,700                               |
| <b>% Change in NEV</b> | -                 | (19.2%)                                 | 20.8%                                   |

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 July 31, 2023, Catalyst Corporate has \$2,176,955,837 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$882,124,767 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst Corporate also has access to a \$499,864,371 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 July 31, 2023. Catalyst Corporate has \$150,000,000 outstanding advance as of July 31, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$359,979,073 and additional uncommitted LOCs to members of \$10,832,014,481 as of July 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 July 31, 2023. The table below presents Catalyst Corporate's actual and required capital ratios as of July 31, 2023:

| Capital Ratio                   | Ratio         | Minimum level to be classified as adequately capitalized | Minimum level to be classified as well capitalized |
|---------------------------------|---------------|--|--|
| Retained earnings ratio         | <b>5.43%</b>  | N/A  | N/A  |
| Leverage / Tier 1 capital ratio | <b>9.90%</b>  | 4.00%  | 5.00%  |
| Tier 1 risk-based capital ratio | <b>32.25%</b> | 4.00%  | 6.00%  |
| Total risk-based capital ratio  | <b>32.25%</b> | 8.00%  | 10.00%   |

## Consolidated Statements of Financial Condition

(Unaudited)

| July 31,   | 2023                   | 2022                   |
|--|------------------------|------------------------|
| <b>Assets</b>  |                        |                        |
| Cash and cash equivalents  | \$2,176,955,837        | \$1,028,071,978        |
| Investments:   |                        |                        |
| Available-for-sale   | 1,697,746,608          | 1,979,073,564          |
| Central Liquidity Facility (CLF) capital stock   | -                      | 99,955,549             |
| Other investments  | 43,859,647             | 31,476,894             |
| Loans, net of allowance of \$13,669 and \$37,634 as of July 31, 2023 and 2022, respectively  | 359,979,073            | 524,037,090            |
| Accrued receivables and other assets   | 43,120,295             | 36,257,256             |
| Property and equipment, net  | 14,325,933             | 14,090,200             |
| Goodwill and other intangible assets   | 7,038,386              | 7,448,386              |
| National Credit Union Share Insurance Fund (NCUSIF)  | 2,354,026              | 2,443,766              |
| <b>Total assets</b>  | <b>\$4,345,379,805</b> | <b>\$3,722,854,683</b> |
| <b>Liabilities</b>   |                        |                        |
| Members' shares and certificates   | \$3,786,323,810        | \$3,141,299,235        |
| Borrowed funds   | 150,000,000            | 200,000,000            |
| Accrued expenses and other liabilities   | 21,293,074             | 18,696,629             |
| <b>Total liabilities</b>   | <b>3,957,616,884</b>   | <b>3,359,995,864</b>   |
| <b>Members' Equity</b>   |                        |                        |
| PCC  | 190,016,017            | 186,581,340            |
| Retained earnings  | 219,636,704            | 182,525,821            |
| Non controlling interest   | 9,628,641              | 12,141,636             |
| Accumulated other comprehensive loss   | (31,518,441)           | (18,389,978)           |
| <b>Total members' equity</b>   | <b>387,762,921</b>     | <b>362,858,819</b>     |
| <b>Total liabilities and members' equity</b>   | <b>\$4,345,379,805</b> | <b>\$3,722,854,683</b> |
| <i>The accompanying notes are an integral part of the consolidated financial statements.</i> |                        |                        |

## Consolidated Statements of Income

(Unaudited)

|  | For the seven months ended July 31, |                     |
|--|-------------------------------------|---------------------|
|  | 2023                                | 2022                |
| <b>Interest income</b>                             |                                     |                     |
| Available-for-sale investments                     | \$37,376,435                        | \$11,398,885        |
| Federal Reserve Bank                               | 55,701,460                          | 5,002,234           |
| Loans  | 15,923,048                          | 2,850,361           |
| Other  | 1,433,161                           | 474,215             |
| Total interest income                              | 110,434,104                         | 19,725,695          |
| <b>Interest expense</b>                            |                                     |                     |
| Members' shares and certificates                   | \$75,094,834                        | 6,166,359           |
| Borrowed funds                                     | 2,789,218                           | 266,455             |
| Total interest expense                             | 77,884,052                          | 6,432,814           |
| Net interest income                                | 32,550,052                          | 13,292,881          |
| <b>Recapture of loan losses</b>                    | -                                   | 6,915               |
| Net interest income after recapture of loan losses | 32,550,052                          | 13,299,796          |
| <b>Net fee income</b>                              |                                     |                     |
| Share draft and depository processing fees         | 12,984,371                          | 11,997,030          |
| Off-balance-sheet income                           | 5,548,822                           | 7,209,300           |
| Other fee income                                   | 10,779,667                          | 10,530,138          |
| Outside processing and service costs               | (5,446,780)                         | (5,554,123)         |
| Total net fee income                               | 23,866,080                          | 24,182,345          |
| <b>Operating expenses</b>                          |                                     |                     |
| Compensation and benefits                          | 24,972,185                          | 22,270,971          |
| Information technology                             | 5,581,002                           | 4,923,476           |
| Professional fees                                  | 1,111,263                           | 1,241,499           |
| Office occupancy                                   | 714,333                             | 724,186             |
| Other operating expense                            | 1,866,226                           | 1,641,021           |
| Total operating expenses                           | 34,245,009                          | 30,801,153          |
| <b>April 2022 fee waiver</b>                       | -                                   | (2,835,941)         |
| <b>Other net gains</b>                             | -                                   | 1,640,900           |
| <b>Other income</b>                                | 10,999,780                          | 20,642,325          |
| <b>Non controlling interest</b>                    | 1,344,599                           | 982,253             |
| <b>Net income</b>                                  | <b>\$34,515,502</b>                 | <b>\$27,110,525</b> |

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



## Consolidated Statement of Comprehensive Income

(Unaudited)

|  |              |
|--|--------------|
| For the seven months ended July 31,  | 2023         |
| Net income   | \$34,515,502 |
| Other comprehensive income   |              |
| Net unrealized holding gains on investments classified as available-for-sale                 | 2,961,293    |
| Net unrealized holding losses on derivatives designated as cash flow hedges                  | (304,455)    |
| Total other comprehensive income   | 2,656,838    |
| Comprehensive income   | \$37,172,340 |
| <i>The accompanying notes are an integral part of the consolidated financial statements.</i> |              |

## Consolidated Statement of Members' Equity

(Unaudited)

For the seven months ended July 31, 2023

|  | Perpetual<br>Contributed<br>Capital | Retained<br>Earnings | Non<br>Controlling<br>Interest | Accumulated<br>Other<br>Comprehensive<br>(Loss)/Income | Total         |
|--|-------------------------------------|----------------------|--------------------------------|--|---------------|
| Balance at December 31, 2022   | \$187,417,762                       | \$192,161,001        | \$10,973,240                   | (\$34,175,279)   | \$356,376,724 |
| Net income (loss)  |                                     | 34,515,502           | (1,344,599)                    |  | 33,170,903    |
| PCC issued   | 2,598,255                           |                      |                                |  | 2,598,255     |
| Dividends paid on PCC  |                                     | (7,039,799)          |                                |  | (7,039,799)   |
| Other comprehensive income   |                                     |                      |                                | 2,656,838  | 2,656,838     |
| Balance at July 31, 2023   | \$190,016,017                       | \$219,636,704        | \$9,628,641                    | (\$31,518,441)   | \$387,762,921 |
| <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 July 31, 2023 are as follows:

|  | <b>Amortized Cost</b>  | <b>Estimated Fair Value</b> | <b>Net Unrealized (Loss) Gain</b> |
|--|------------------------|-----------------------------|-----------------------------------|
| Asset-backed securities                      | \$944,288,018          | \$935,888,161               | (\$8,399,857)                     |
| Agency commercial mortgage-backed securities | 589,912,824            | 572,893,975                 | (17,018,849)                      |
| U.S. Treasury securities                     | 71,384,089             | 69,466,286                  | (1,917,803)                       |
| Agency mortgage-backed securities            | 85,321,194             | 82,061,182                  | (3,260,012)                       |
| Corporate debt obligations                   | 36,716,274             | 36,465,697                  | (250,577)                         |
| Federal agency securities                    | 967,208                | 971,307                     | 4,099                             |
| <b>Total</b>                                 | <b>\$1,728,589,607</b> | <b>\$1,697,746,608</b>      | <b>(\$30,842,999)</b>             |

### 3. Other Investments

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

|   |                     |
|---|---------------------|
| Investments in credit union service organizations (CUSOs) | \$7,349,947         |
| Interest-bearing certificates of deposit                  | 32,061,000          |
| FHLB capital stock  | 2,448,700           |
| Other   | 2,000,000           |
| <b>Total</b>  | <b>\$43,859,647</b> |

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 July 31, 2023:

|                                       |               |
|---------------------------------------|---------------|
| Open-end credit lines                 | \$73,403,685  |
| Term loans                            | 286,339,395   |
| Loan participations, net of allowance | 235,993       |
| Total                                 | \$359,979,073 |

## 5. Members' Shares and Certificates

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

|                    |                 |
|--------------------|-----------------|
| Daily shares       | \$3,548,200,982 |
| Share certificates | 238,122,828     |
| Total              | \$3,786,323,810 |

Catalyst Corporate members transferred \$2,224,539,921 to the Excess Balance Account at the Federal Reserve Bank as of July 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 July 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.